

Audit of the Orlando-Orange County Expressway Authority

**Report by the
Office of County Comptroller**

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**Report No. 386
October 2007**

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October 23, 2007

Richard T. Crotty, Chairman
and
Orlando–Orange County Expressway Authority Board

We have conducted an audit of the Orlando–Orange County Expressway Authority. The audit scope included the Authority's operating structure, contracting for goods and services, the invoice review and payment processes, hiring and compensation of staff, right-of-way acquisitions, and in-progress road construction activities. The audit period was July 1, 2005 to September 30, 2006; however, certain other matters outside of that period were also reviewed because of the length of the road building process. Our review was conducted in accordance with generally accepted government auditing standards, and included such tests as we considered necessary in the circumstances.

Responses to our Recommendations for Improvement were received from the Executive Director of the Orlando-Orange County Expressway Authority and are incorporated herein.

We appreciate the cooperation of the personnel of the Authority during the course of the audit.

Martha O. Haynie, CPA
County Comptroller

c: Mike Snyder, P.E., Executive Director
Orange County Board of County Commissioners

EXECUTIVE SUMMARY

Executive Summary

We conducted an audit of the Orlando-Orange County Expressway Authority (Authority). The audit scope included a review of the Authority's operating structure, contracting for goods and services, the invoice review and payment processes, hiring and compensation of staff, right-of-way acquisitions, and in-progress road construction activities. The specific objectives of our review were to determine the following:

- 1) Whether the procurement of goods and services was subject to fair and open competition; in compliance with applicable internal policies, laws and regulations, and generally accepted government practices; and,
- 2) Whether the controls over the payment of goods and services were adequate to ensure that the goods and services paid for were properly authorized and actually received, or performed in compliance with contractual terms.

In addition, we reviewed the operating structure for opportunities to streamline processes, reduce cost, and more efficiently and effectively manage operations (best practices). We did not review issues relating to the public relations contract that was terminated and the procurement of operating funds through the issuance of bonds. The audit period was July 1, 2005 to September 30, 2006; however, certain other matters outside of that period were also reviewed because of the length of the road building process.

Based on the testing performed, the procurement of goods and services was not always subject to fair and open competition, and in compliance with applicable internal policies, and regulations, including generally accepted government procurement practices.

In our opinion, controls over the payment of goods and services were not adequate to ensure that the goods and services paid for were properly authorized and received/performed. Also, controls to ensure work performed complied with contractual terms were not adequate.

In addition, we identified several opportunities within the operating structure to streamline processes, reduce costs, and more efficiently and effectively manage operations. Our Recommendations for Improvement are separated into seven sections as follows:

- Operating Structure
- Contracting
- Invoice and Payment Review Processes
- Accounting
- Human Resources
- Right-of-way Acquisitions
- Road Construction Activities

Specific issues were as noted below:

Within the Operating Structure area, we recommended the Authority considers performing internally some currently outsourced functions. These recommendations included implementing a strong centralized purchasing process. This involves bringing together, under one in-house Procurement Director, purchasing activities performed by the purchasing department, various department heads, and outside consultants. Our recommendations also included bringing in-house the general legal services and establishing an internal audit function to monitor the agency and to report its findings directly to the Board. In addition, we recommended the Authority considers additional structural changes with respect to the duties of the General Engineering Consultant (GEC), Construction Management Consultant, Maintenance Management Consultant and Micro-Contract Consultants. These recommendations will help ensure costs are minimized and the Authority operates as effectively and efficiently as possible.

Within the contracting area, we noted the following:

- An extensive decentralized purchasing function and lack of a comprehensive procurement policy contributed to inconsistent and inefficient contracting procedures. Significant expenses were incurred to develop a draft procurement policy; however, the policy lacked necessary elements of a government procurement policy. Subsequently, in consultation with the County Mayor's staff, a comprehensive procurement policy was developed during the audit process.
- Inadequate controls over the purchasing and contract review processes allowed numerous deficiencies to occur. For instance, the Authority entered into a supplemental agreement for \$1.2 million containing approximately \$785,000 of unnecessary or duplicated services. Several months later, the agreement was cancelled after the Authority determined it should not have been awarded. We also noted controls were not sufficient to ensure all contracts were awarded using a fair and unbiased selection process. For example, there were several open ended contracts and contracts with expanded scopes and significant price increases that were renewed without rebidding. Further, road maintenance service fees were paid to construction contractors for roads being improved without any reduction in the fixed fees paid to the maintenance contractor for the same roads. As a result, it appears the Authority paid the maintenance contractor up to \$540,000 for duplicate services, with a potential for another \$465,000 through the end of construction of the two projects tested. We noted numerous instances of inadequate contract language and insufficient documentation of the bid and award process. There were also instances where work was

performed prior to properly executed contracts or without executed contracts.

- Authority management did not adequately inform the Board and the public of all relevant issues. For instance, requests for team building and efficiency exercises, totaling \$573,000, were made to the Board under five separate proposals without disclosure of the cumulative amount when each request was made.
- Direct purchases were not used on road construction projects during the audit period. Direct purchases enable an Agency of the State, such as the Authority, to forgo the payment of sales taxes for certain purchases by their contractors. Use of direct purchases by the Authority would have saved millions of dollars during the audit period.
- The Authority does not include a value engineering (VE) clause in its construction contracts. The incentive based clause provides for the sharing of savings derived from cost saving ideas identified and used by the construction contractor. Without a VE clause, toll payers may not receive the best overall value for projects built by the Authority.
- Certain maintenance contracts were awarded without adequate documentation to justify direct expenses charged to the Authority. In one instance, the Authority provided a monthly reimbursement in excess of \$400 for office expenses to a contractor responsible for locating Fiber Optics Networks within the boundaries of the roadway. There was no support in the contract or provided to justify this amount.
- Contract closeout procedures did not adequately document appropriate credits were obtained from contractors for vehicles purchased by the authority.

Within the invoice and payment review processes, we noted the following:

- The Authority did not ensure that outside contractors document that all services paid for were actually provided. For example, without any substantiating information, approximately \$57,000 was paid for telephone coaching (24 days @ \$2,400 per day) to the consultant that provided team building exercises. In addition, our review of invoices revealed numerous instances where invoices did not contain enough data or description of services performed to ensure compliance with contractual terms.
- Invoices were not adequately reviewed and were not properly authorized prior to payment. Monthly invoices from the GEC ranging from \$672,000

to \$944,000 were typically approved within one business day. The Authority paid invoices from section engineers without further review as they thought the review was being performed by the GEC; however, the GEC informed us they were not tasked to review all such invoices for approval. There were instances when retainage was not withheld, rates paid were not comparable with contractual rates and invoices were not approved at the appropriate levels.

Within the Human Resources Section, we noted certain documentation required in the hiring process was not present. In addition, we noted an up-to-date salary plan was not prepared.

Within the Road Construction area, we noted the procedures utilized to estimate and pay for embankment material was not adequate to ensure all material paid for was delivered. Our contracted engineer estimated this difference to be approximately \$1 million at the time the test was performed.

We are encouraged by the recent steps taken by Authority staff, under the leadership of the Authority Chairman with the support of Authority Board members, to address some of the overriding concerns noted during the audit process. Further, we noted the Authority concurred with nearly all of the 81 Recommendations for Improvement and steps to implement the recommendations are either underway or planned. The Authority responded to each of the Recommendations for Improvement and their response is included herein. In addition, Appendix G contains a letter from the Authority regarding the audit process and Authority accomplishments.

ACTION PLAN

AUDIT OF THE ORLANDO-ORANGE COUNTY EXPRESSWAY AUTHORITY ACTION PLAN

NO.	RECOMMENDATIONS	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED
1.	We commend the new Chairman of the Authority's Board and the Board for adopting the new policy and authorizing the establishment of a centralized purchasing function. We recommend the Authority ensures the following:					
A)	Establishment of a strong centralized purchasing function as authorized by the Board;	✓			✓	
B)	The new purchasing procedures are utilized to reduce purchasing related expenditures paid to outside consultants; and,	✓			✓	
C)	Specific and actual purchasing authority is provided to the newly created Procurement Director position.	✓			✓	
2.	We recommend the Authority considers bringing the outsourced legal services in-house. Further all access to any outside legal counsel should be controlled through the in-house counsel. To this end, we commend the Authority's Chairman and Board for having authorized bringing the legal consultant's duties in-house, and staff for beginning the implementation process by hiring an in-house counsel.	✓			✓	
3.	We recommend the Authority considers structural changes and cost savings measures as addressed above to include a review of duties currently performed by the consultants and determine which items could be done more effectively, efficiently and economically by in-house staff.	✓			✓	

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4.	We recommend the Authority establishes an internal audit function reporting directly to the Board or audit committee. In addition, safeguards should be put in place to ensure the position is independent. On August 22, 2007, the Authority Board approved the establishment of an Internal Auditor position; we commend the Board Chairman and Authority Board for this action.	✓			✓	
5.	We recommend the Authority not assign the performance of any services to a firm that is also providing oversight responsibilities for those same services.	✓			✓	
6.	We recommend the Authority Board clarifies the composition of the Authority Finance Committee.	✓			✓	
7.	We recommend the Authority ensures the following:					
A)	Written contracts, detailing all relevant events are entered into for all contractual relationships in accordance with newly written procurement procedures;	✓			✓	
B)	Implementation of procedures that ensure the fair and unbiased selection of all consultants and contractors not only in fact, but in appearance;	✓			✓	
C)	Issue all contracts through the newly created Procurement Director and ensure contracts do not contain duplicate scope of services;	✓			✓	
D)	Follow procedures for analyzing and evaluating LOIs, responses to RFPs, technical proposals, oral presentations, price proposals and bids for contract awards;	✓			✓	

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7. E)	Adequate documentation of the selection and award process;	✓			✓	
F)	Cancel and re-bid the contract for the MMC and the storage facilities; and,	✓				✓
G)	No open-ended contracts without expiration dates are awarded.	✓			✓	
8.	We recommend the Authority performs the following:					
A)	Informs the Board of all relevant information related to approvals requested;	✓			✓	
B)	Ensures that all supplemental agreements are presented to the Authority Board for approval; and,	✓			✓	
C)	Expand the Authority agenda provided to the public to include more detailed and informative data.	✓			✓	
9.	We recommend the Authority develops and implements a formal written policy for utilizing the direct purchase method of procurement. This policy should be presented to the Board for approval.		✓			
10.	We recommend the Authority performs the following:					
A)	Takes appropriate steps to amend the current highway maintenance contracts to include language that requires a reduction of monthly billings for maintenance work that is performed by construction contractors when highways are being improved; and,	✓				✓
B)	Considers re-bidding the maintenance service contracts.	✓				✓

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11.	We recommend the Authority ensures that contracts for CEI services for independent projects be competitively solicited.	✓				✓
12.	We recommend the Authority performs the following:					
A)	Document the review of bids received where the lowest responsive bidder is more than 10 percent outside the final construction estimate for adequacy of the estimate and winning bid; and,	✓				✓
B)	Review the Section Engineer and GEC roles in providing final cost estimation to ensure the most cost effective method is used.			✓		
13.	We recommend the Authority performs the following:					
A)	Develops written criteria or guidelines for the evaluation of consultants and other contractors for renewal of contracts for the option years; and,	✓			✓	
B)	Develops contracting procedures which will ensure that agreements for services that would be renewed for the option year with significantly increased labor rates are bid	✓			✓	
14.	We recommend the Authority ensures the following:					
A)	Appropriate audit clauses are utilized;	✓			✓	
B)	Truth in negotiation clauses are utilized in professional services contracts;	✓			✓	
C)	Appropriate value engineering clauses are included in construction contracts;			✓		
D)	Appropriate early termination clauses are utilized in all contracts;	✓			✓	

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14. E)	Prices are computed on a per year basis for multiple year contracts or an average rate clause be utilized; and,	✓			✓	
F)	Contractors and consultants use appropriate language that protects the interests of the Authority in their contacts with subcontractors.	✓			✓	
15.	We recommend the Authority review additional GEC projects and periods to determine if any additional billing errors occurred.	✓			✓	
16.	We recommend the Authority establishes an adequate mechanism to ensure consultant and contractor compliance with contract provisions. In addition, adequate documentation should be retained to show such compliance as well as the performance of annual and other required contract reviews.	✓			✓	
17.	We recommend the Authority establishes adequate contracting procedures to ensure the following:					
A)	Contract amounts are accurately stated as justified by supporting schedules;	✓			✓	
B)	Allowances for direct expenses are adequately detailed and reasonable based on tasks to be performed; and,	✓			✓	
C)	Contract language clearly delineates the disposition of Authority provided assets at contract termination.	✓			✓	

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18.	We recommend the Authority develops procedures to ensure the following:					
A)	Goods purchased by consultants/contractors and charged to the Authority are approved in writing prior to purchase. Further, ensure reimbursement requests for such items are adequately supported with a description of the items acquired and actual costs; and,	✓			✓	
B)	Contract close-out procedures include ensuring all available credits are realized	✓			✓	
19.	We recommend the Authority ensures following:					
A)	Purchase orders are approved by authorized personnel;	✓			✓	
B)	Purchase orders are issued and approved before goods/services are ordered;	✓			✓	
C)	A standard purchase requisition form or the requisition function in the computerized purchasing module is utilized; and,	✓			✓	
D)	Prices extended to the Authority by vendors under contract with the State do not exceed the prices afforded under their State contract.	✓			✓	
20.	We recommend the Authority performs the following:					
A)	Implements written policy and procedures for the operation of the P-Card program and provides adequate training to P-Card users;	✓			✓	
B)	Restricts the use of P-Cards to only the individual assigned the P-Card;	✓			✓	

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20. C)	Reviews and approves the P-Card master statement prior to the date of payment;			✓		
D)	Ensures all individual P-Card statements are reviewed by a supervisor;	✓			✓	
E)	Implements procedures to prevent and detect the payment of sales taxes on purchases and,	✓			✓	
F)	Ensures the P-Card Administrator is not assigned or authorized to use a P-card.	✓				✓
21.	We recommend the Authority performs the following:					
A)	Consistently applies contracting procedures for micro-contracts in accordance with generally accepted purchasing procedures. In addition, Contract MCP No. 093 should be terminated and re-bid in accordance with Authority Policy.	✓				✓
B)	Revises the micro-contract application form to include notation of approval or rejection with appropriate analysis performed.	✓			✓	
22.	We recommend the Authority performs the following:					
A)	Continues to review the Team's billings to determine if further action is required, including reimbursing any unsupported charges; and,	✓			✓	
B)	Ensures outside consultants provide adequate evidence that assigned duties are performed.	✓			✓	
23.	We recommend the Authority ensures invoices received from the GEC are adequately supported and reviewed prior to authorization and payment.	✓			✓	

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24.	We recommend the Authority ensures the following:					
A)	Written contracts be utilized for purchases of services in excess of an established dollar limit; and,	✓			✓	
B)	Work is not performed prior to Board authorization. In the event the work is of an emergency nature and has to be performed prior to Board approval, such circumstances should be adequately documented and disclosed to the Board when approval is requested.	✓			✓	
C)	All subcontractors used by contractors be approved by the Authority		✓		✓	
25.	We recommend the Authority ensures the following:					
A)	Retainage is withheld as specified in contract documents; and,	✓			✓	
B)	Section Engineers list positions billed and hourly rates of pay on invoices. In addition, the rates of pay and positions should be compared to the original contract for reasonableness. Further, consideration should be given to restructure the contracts to require rates used to determine the contract limiting amount are adhered to unless specific approval is given by the Authority.	✓				✓
26.	We recommend procedures be established to ensure the following:					
A)	Invoices are reviewed by Authority staff that have knowledge of the work performed and approved in accordance with Board policy; and,	✓			✓	
B)	Changes to Board approved policies are submitted to the Board for review and adoption.	✓				✓

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27.	We recommend procedures be established to ensure the following:					
A)	Adequate documentation to show receipt of goods and services are provided with invoices;	✓			✓	
B)	All invoices and supporting documents are cancelled to prevent misuse; and,	✓			✓	
C)	Invoices contain adequate description of the goods and services charged.	✓			✓	
28.	We recommend procedures are established to ensure the following:					
A)	Contract balances reported by vendors are periodically reconciled to the Authority's records and appropriate action is taken when discrepancies are noted;	✓				✓
B)	The cost to construct and maintain each of the roads in the expressway system are accurately stated in the Authority's records;	✓			✓	
C)	Practices relative to fixed assets are compliant with Board adopted policies. Further, fixed asset polices should be reviewed on a periodic basis to determine if they should be updated;	✓			✓	
D)	Detailed information for qualifying property and equipment are entered in the Fixed Asset Module in a timely manner;	✓			✓	
E)	Adequate controls are in place to prevent the check file from being altered once it has been reviewed; and,	✓			✓	

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28. F)	Periodic audits are performed for all existing check supplies.	✓			✓	
29.	We recommend the Authority performs the following:					
A)	Establishes and adopt a pay plan with ranges of pay that reflects the actual positions filled at the agency; and,	✓				✓
B)	Develops standardized job descriptions for all positions employed within the organization in standard format that accurately reflect the duties to be performed.	✓			✓	
30.	We recommend the Authority performs the following:					
A)	Formally advertise open positions not filled from within;	✓			✓	
B)	Retain documentation of the selection process for filling vacant positions;	✓			✓	
C)	Retain evidence of background checks for all newly hired employees; and,	✓			✓	
D)	Develop a written policy addressing employment of employees' relatives or terminated employees by the Authority's contractors and vendor.		✓		✓	
31.	We recommend the Authority revises the current policy and ensures travel reimbursement forms are submitted for payment in a timely manner.	✓			✓	
32.	We recommend the Right-of-Way Acquisition Procedures Manual be updated to reflect current processes and when changes occur in the future.	✓			✓	

**AUDIT OF THE ORLANDO-ORANGE COUNTY EXPRESSWAY AUTHORITY
ACTION PLAN**

NO.	RECOMMENDATIONS	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
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33.	We recommend the Authority ensures the following:					
A)	Periodic review of the actual in-place embankment material that results after compaction to ensure the quantity in-place corresponds to the quantity billed; and	✓			✓	
B)	The contractor and the CEI sign the pay estimates.		✓		✓	
34.	We recommend the Authority ensures the CEI for SR 528 perform their own calculations for Voids in Mineral Aggregate, Voids Filled with Asphalt and Dust Proportion.	✓			✓	

INTRODUCTION

Background

The Orlando-Orange County Expressway Authority, (Authority) was created as an agency of the State of Florida in 1963 by Chapter 348, Florida Statutes, to build, improve, maintain, and operate the Orlando-Orange County Expressway System (System). The System is defined as all approaches, roads, bridges, and avenues of access to the expressways. In addition, the statutes grant the Authority the ability to fix, alter, charge, establish and collect rates, fees, rentals, and other charges for the services and facilities of the System.

As of the beginning of the audit period, the System consisted of approximately 100 center miles of roadway involving approximately 540 lane miles as follows:

Roadway	Center Miles	Lane Miles
SR 408 – East-West Expressway	22	128
SR 528 – Beachline Expressway	23	110
SR 417 – Central Florida Greenway	33	167
SR 429 – Western Beltway	22	135
Total	100	540

The Authority Board is composed of five members: three are Orange County citizens appointed by the Governor to serve four-year terms; the fourth is the Mayor of Orange County, Florida; and the fifth is the District V Secretary of the Florida Department of Transportation (FDOT).

As it is the Authority's philosophy and practice to outsource the majority of operating areas, the Authority only has 42 personnel positions. These were primarily management and accounting positions. Key operating areas, such as construction design, construction, and roadway and facilities maintenance were each staffed only by one person.

Budgeted operating expenditures were approximately \$58 and \$63 million for fiscal years 2006 and 2007, respectively. The current five year work plan (fiscal years 2006 to 2010) estimates capital expenditures of approximately \$1.1 billion. Adjustments are made to this work plan from time to time to meet the needs of the Authority and funding arrangements. Contracts in place during the audit period, except those relating to inter-local agreements, totaled approximately \$414 million.

Scope, Objectives, and Methodology

The audit scope included the Authority's operating structure, contracting for goods and services, the invoice review and payment processes, hiring and compensation of staff, right-of-way acquisitions, and in-progress road construction activities. We did not review issues relating to the public relations contract that was terminated and the procurement of operating funds through the issuance of bonds. The audit period was July 1, 2005 to September 30, 2006; however, certain other matters outside of that period were also reviewed because of the length of the road building process.

The primary objectives of this review were to determine the following:

- 1) Whether the procurement of goods and services was subject to fair and open competition; in compliance with applicable internal policies, laws and regulations, and generally accepted government practices; and,
- 2) Whether the controls over the payment of goods and services were adequate to ensure that the goods and services paid for were properly authorized and actually received, or performed in compliance with contractual terms.

In addition, we reviewed the operating structure for opportunities to streamline processes, reduce cost, and more efficiently and effectively manage operations (best practices).

The Methodology for our review can be found in Appendix A.

Overall Evaluation

Based on the testing performed, the procurement of goods and services was not always subject to fair and open competition, and in compliance with applicable internal policies, and regulations, including generally accepted government procurement practices.

In our opinion, controls were not adequate over the payment of goods and services to ensure that the goods and services paid for were properly authorized and received/performed.

INTRODUCTION



Audit of the Orlando-Orange
County Expressway Authority

In addition, controls to ensure work performed complied with contractual terms were not adequate.

In addition, we identified several opportunities within the operating structure to streamline processes, reduce costs, and more efficiently and effectively manage operations. These and other opportunities for improvement are described herein.

RECOMMENDATIONS FOR IMPROVEMENT

Recommendations for Improvement – Operating Structure**1. A Strong Centralized Purchasing Function Should Be Established to Administer the Implementation of a Comprehensive Purchasing Policy**

During our review, we noted that the procurement function was extensively decentralized. The decentralized processes used by the Authority were performed by staff in each department under the direction of each department director or manager as well as several consultants. Also, some duties were performed by the Purchasing Department, but these were limited to financial contracts, some professional services contracts, and the acquisition of goods and services for administrative operations. Purchasing responsibilities executed by various departments and consultants were not budgeted as purchasing department staffing costs. A summary of some of the costs identified during our audit for the contractors performing purchasing duties for fiscal year 2006 are as follows:

Entity	Amount
Subcontractor to the General Engineering Consultant	\$96,000
Estimated supervision of subcontractor by the GEC*	5,000
Construction Management Consultant	40,000
Legal Reviews of Purchasing documents	115,000
Total	\$256,000

* - Estimation based on 5% supervisory fee as indicated by the Authority.

Regarding these concerns, we noted the following:

- A) The Authority did not have a comprehensive procurement policy prior to the start of our fieldwork. At that time, staff was working on a draft purchasing policy. This was the continuation of a procedures review paid for by the Authority. A consulting organization contracted with the Authority to perform the review for \$47,000 in May 2004. During our fieldwork, the draft policy was reviewed by members of the Authority and the Authority's Legal Consultant (as we noted in Recommendation for Improvement

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No. 2); however, this draft did not contain the necessary elements of a strong government procurement policy.

- B) During the audit period the Purchasing Manager did not have approval authority. As a result, purchase orders and other documents had to be reviewed and signed by the Chief Financial Officer (CFO). The CFO should not have responsibility for the procurement function. This results in inadequate segregation of the duties by being able to initiate purchasing transactions, record the transactions, and authorize the payments.

As a result of our audit concerns, the Orange County Mayor's staff reviewed the policy and suggested comprehensive revisions. We also read the policy and made some suggestions to its final form. The final policy was adopted by the Authority Board in April 2007 and contains the essential elements for an effective purchasing policy. At this meeting, the Authority Board also authorized the establishment of the centralized procurement function to implement the new policy. The establishment of a strong centralized purchasing function should improve efficiency and effectiveness and lead to cost savings through stronger internal controls.

We Commend the new Chairman of the Authority's Board and the Board for adopting the new policy and authorizing the establishment of a centralized purchasing function. **We Recommend** the Authority ensures the following:

- A) Establishment of a strong centralized purchasing function as authorized by the Board;
- B) The new purchasing procedures are utilized to reduce purchasing related expenditures paid to outside consultants; and,
- C) Specific and actual purchasing authority is provided to the newly created Procurement Director position.

Management's Response:

Concur.

OOCEA hired a procurement expert on July 9, 2007 to implement the centralized Procurement Policy adopted by the Board on April 26, 2007. The Procurement Director has specific and actual purchasing authority. The Authority will have the centralized Procurement Department completely established by December 31, 2007, which will include procurement of engineering and construction contracts.

The Authority will greatly improve procurement internal controls by centralizing the procurement functions of the organization and moving engineering and construction procurement in-house.

2. Certain Services Outsourced to the Legal Consultant Should Be Brought In-house

During our review, we selected one of the legal services contracts in effect during the audit period for review. This contract was for the Legal Consultant (LC). We noted that the LC was paid \$957,000 during the fiscal year ended June 30, 2006 and \$196,000 for the period July 1, 2006 to September 30, 2006. Rates for these attorneys ranged from \$160 to \$225 per hour. The contracted rate for paralegal services was \$70 per hour. Very rarely did the billings show work performed by a paralegal. During our analysis, we found several payments where the need for legal services was not documented. In addition, it was questionable whether the need for certain of these services existed. Further, there was no authorization process to limit or restrict the items that went to the LC for review. As part of our testing, we reviewed legal invoices paid during July and August 2005 in detail. We noted the following:

- General procurement contract documents (scope of services before advertising, request for proposal documents, draft contracts, contracts after they were signed, etc.), except for design services and micro-

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contracts are reviewed and signed by the LC even though these documents are usually composed from boiler plates. Some supplemental agreements are also sent to the LC for review. The need for such extensive review was not documented or noted. As a result, fees charged for review of construction, consultant, and in-house contracts and related documents totaled \$35,000 or 17 percent of the total fees billed for the two month period. Examples of fees charged for contract review for various areas during this period were as follows:

➤ IT Consulting	\$1,711
➤ Systems consultant	5,142
➤ Bridge maintenance	3,237
➤ Networks	2,104
➤ Construction	6,446
➤ Toll services	3,005

In addition to the two month sample period, we traced the expenses for the above construction contract beyond this period and noted that fees in relation to the review of this contract totaled approximately \$13,036. Fees totaling approximately \$115,000 were billed during fiscal year 2006 for review of contracts and related documents.

- The LC billed and was paid approximately \$211,000 for approximately 1,180 hours of work rendered in connection with updating the legal opinions archives during the period September 1, 2005 to December 3, 2006. Generally, these services were described as reviewing, researching, and updating the legal opinions archives. Work began on September 1, 2005, when the LC's invoice described the services as "Work on review and updating legal opinions archives." Subsequently, there were various descriptions such as, work on index of legal opinions, begin breaking down opinions and copies from chronological order to subject order, review and validate legal opinions, update index with new opinions, review legal opinions and perform legal

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research, review archived legal opinions and citations for continuing validity, prepare summaries, validating opinions in legal opinions archive, etc. The work was billed by at least seven different attorneys (a partner and six associates). We did not note any instance when research performed was billed at the paralegal rate.

- The LC billed approximately \$68,000 for reviewing policies and procedures. These included:
 - Procurement policies \$30,000
 - Policy and procedures manual 26,000
 - Employee handbook 12,000
- Fees totaling approximately \$10,800 were billed for review and revision of the standard request for proposal (RFP) submittal requirements.
- Fees totaling \$3,251 were billed for the review of various minutes during the two months (July 1, 2005 to August 31, 2005) tested. It is the practice of the Authority to have the LC review minutes for Board, Staff, Finance Committee, Audit Committee, and other meetings. In some instances, we noted that the same minutes were reviewed by two different attorneys.
- We noted one instance when an internal staff memo was reviewed by the LC.

There appears to be unrestricted access to the LC by lower level and senior Authority staff as well as some consultants for review of memos, letters, other documents, and legal advice. As such, there does not appear to be an authorization level that must be received prior to initiating a request for service. It appears that significant savings could be realized by hiring an in-house counsel. Further, outside counsel should not be used except as approved by the in-house counsel on a specific project-by-project basis. We estimate the hiring of an in-house legal counsel and support

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staff could result in cost savings in excess of \$400,000 annually.

We Recommend the Authority considers bringing the outsourced legal services in-house. Further all access to any outside legal counsel should be controlled through the in-house counsel. To this end, **We Commend** the Authority's Chairman and Board for having authorized bringing the legal consultant's duties in-house, and staff for beginning the implementation process by hiring an in-house counsel.

Management's Response:

Concur.

OOCEA hired in-house legal counsel on June 26, 2007 to provide for the efficient management of legal services. Contracts and supplemental agreements are currently being reviewed by in-house counsel.

Based upon two months of actual budget data, it does appear that the Auditor's projected annual savings of \$400,000 in legal services will be achieved. Since the transition to in-house counsel on June 26, 2007, actual expenditures incurred for general counsel legal services are averaging \$22,000 a month. During the audit period, the monthly average was almost \$77,000. The Authority does not anticipate that the difference will be as great over the course of an entire year, since the legal office is not yet fully staffed. It does appear that the Auditor's recommendation and management's decision to bring this function in-house will result in significant savings to the Authority.

OOCEA hired a procurement expert on July 9, 2007 to implement the centralized Procurement Policy adopted by the Board on April 26, 2007. The Procurement Policy requires standardization of contracts. Procedures are being prepared by the Procurement Director and General Counsel to develop standardized contracts, where applicable. The standardized contracts and related procedures will be complete by December 31, 2007.

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The Legal Opinions Archives project was undertaken in an effort to prevent redundant work. Records of 281 legal opinions dating back to 1974 were organized and evaluated for continued validity. The evaluation of whether prior opinions are valid or invalid requires the exercise of legal judgment and analysis that is beyond the function or expertise of a paralegal. Indexing the opinions required an attorney to create the subject matter listings and then designate the legal category under which each opinion would be archived. Also, in order to provide maximum benefit, the index includes a statement of the issue, the legal conclusion, and in some cases an "Editor's Note" suggesting areas of additional research.

OOCEA has approximately \$800 million of contracts outstanding. Government entities have a responsibility to ensure that all contracts are legal, properly executed, and properly reflect the intent of the agreement while ensuring the agency's protected rights.

3. Consideration Should Be Given to Performing Certain Other Out-Sourced Functions with In-House Staff

During our review, we noted several other services the Authority contracts for that could be performed by in-house staff which could yield substantial savings. Some of these potential savings are noted as follows:

- A) The Authority has a Maintenance Management Consulting (MMC) contract with an engineering consulting firm. Contract amounts for the MMC services were and are as follows:

Contract Number	Contract Period	Amount of Contract
106	06/02 – 06/04	*\$700,000
106	07/04 – 06/05	630,000
106	07/05 – 06/06	555,968
None	07/06 - 06/07	563,438
**387	02/07 - 07/10	*633,000
Average annual cost		\$631,176

* = Average cost per year

** = With a renewal option for another three years.

In summary, the primary service performed under the MMC's contract is oversight of the maintenance contractors. Simply put, this engineering consultant is required to ensure the maintenance contractors are doing what they are supposed to do according to their contracts. Much of what these maintenance contractors perform are routine maintenance services such as mowing, litter pick-up, graffiti removal, mechanical sweeping, fence, and guardrail repairs, etc.; which, from appearances, may not need a professional engineering firm to supervise. Nothing we have reviewed has shown that this oversight is of a specialized nature requiring technical expertise, or is being done cheaper by using an outside firm or only needed on a short-term basis. These duties could be performed by in-house employees. We note that the overhead multiplier for the Authority's staff is approximately 1.4 (exclusive of office space cost and profit a contractor would include). Therefore, by moving these services in-house, the Authority could achieve significant cost savings.

- B) Under the current structure, the Authority's Construction Department is staffed by one person, a Director of Construction. This person oversees a construction management consulting firm (CMC) that oversees construction engineering inspection (CEI) firms that oversee construction contractors.

The CMC has been performing services for the Authority for approximately ten years. The current contract was entered into on July 14, 2003. This was a three-year contract for a not-to-exceed amount of approximately \$5.1 million. In 2006, this contract was renewed for two additional years for \$5 million. Based on a review of the contract billings, on a day-to-day basis, the CMC uses approximately eight employees to provide the oversight services. Rates of pay ranged from \$13 per hour for an administrative assistant to \$76.23 for the program manager who is recorded as a licensed professional engineer. While these rates do not appear to be excessive, the

overhead and profit multiplier (2.26) used by the firm results in very significant charges for the Authority. As a result, the actual charges for the positions noted above were \$29.44 and \$172.62 per hour. We note that the multiplier for the Authority's staff is approximately 1.4 (exclusive of office space cost and profit a contractor would include). Thus, by hiring in-house staff to perform the functions now performed by the CMC, the Authority potentially could achieve significant cost savings based upon the level of staffing currently provided by the CMC. Although the Authority would encounter additional overhead expenses to house these employees, the Authority currently provides direct funding to this consultant each month for office space and related costs.

C) Under the current structure, the Authority's Engineering Section is staffed by one person, an Executive Deputy Director of Engineering and Operations. This person oversees a General Engineering Consulting (GEC) firm that oversees work performed by section engineering firms. The GEC is also involved in the following:

- Performing actual design work;
- Planning;
- Right-of-way acquisitions;
- Preparing final cost estimates for bidding of projects designed by section engineers;
- Analyzing bids, proposals and letters of interest and making recommendations on the evaluation;
- Contract document preparation;
- Various duties for construction projects; and,
- Assistance in toll operations, equipment, maintenance, landscaping, renovations of facilities, and procurement of bond funding.

The GEC has a beginning-to-end billing and support relationship with most construction projects. These projects are also supported by section engineers through post design supplemental agreements. The

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Authority's Director of Construction has primary oversight responsibilities on construction projects and is supported by the Construction Management Consultant and Construction Engineering Inspectors. This GEC firm is an integral part of the Authority operations and is regarded as staff by senior Authority management.

During the audit period, the Authority paid the GEC \$11.5 million for services provided. Monthly payments averaged over \$750,000 during the audit period. Payments are being made under a contract that was effective September 22, 1986, which has been continued by numerous supplemental agreements. The pay rates for services performed were generated with an overhead and profit multiplier of 2.85. This accounts for costs such as salaries, benefits, overhead, and profit. The overhead and profit multiplier is a negotiated rate.

The lengthy relationship of the GEC firm with the Authority may not be in the best interest of the Authority. Based on our audit inquiries, it is our conclusion that during this 20 year period, the Authority has become too dependent on the GEC. Currently in the role as support staff, the GEC possesses a vast knowledge of the Authority's operations. Essential records, such as cost estimates, section engineers' submissions, certain bidding review documents, etc., are sometimes kept at the GEC's offices. Because of the body of knowledge that the GEC possesses, it is highly possible that the Authority would not be able to function effectively without this GEC should their contract be terminated suddenly. This is not a good position for any organization and could be detrimental to some. In addition, to allow this relationship to continue for another ten years would only contribute to the inability to timely recovery from a loss of this nature.

A relationship that lasts for 20 years with a potential for another ten years may effectively be construed as

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a permanent relationship. When services are required on a continuous basis and can be performed at a lower cost by in-house staff, such services should not be contracted out.

To effectively address this situation, the Authority should evaluate the services performed by the GEC and, where feasible, consider bidding out specific projects to other firms. Further, consideration should be given to hiring in-house staff to perform some functions that are currently performed by the GEC.

- D) Currently, micro-contracting duties are performed by the Director of the Business Development Department (BDD) and staff of the BDD. According to Authority staff, the BDD performs numerous duties that the Authority believes positively impacts the community, such as create and assist in the development of viable local minority and women business enterprises (M/WBE) and to assist qualified M/WBEs to bid as prime contractors, subcontractors and joint venturers. In addition to these duties, BDD staff participates in the bid process; although the purchasing duties are performed by the Authority's purchasing personnel. The BDD employed three consultants during the audit period to assist in department functions. According to the contracts and the Director, these consultants primarily perform the following:

- Consultant No. 1 - Handles IT matters relating to the program i.e., the database of the approved individuals/firms. Initially, the consultant collected data for the program. However, currently, the consultant assists with various functions including presentations to the Board, research, round table discussions, and technical and management issues upon request.
- Consultant No. 2 - Provides technical assistance and management training to area businesses, attends pre-bid conferences,

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meets with contractors that are awarded micro-contracts and performs on-site training and monitoring.

- Consultant No. 3 – Reviews the current procurement policies to ensure it maximizes opportunities to attract a diverse group of contractors. Assists and advises on changes to Authority policy as a result of the disparity study done by the Authority.

Consultants No. 1 and No. 2 are continuing contracts that total approximately \$215,000. Consultant No. 3 is a one time contract. Together these contracts totaled over \$300,000. Some of these duties, such as maintaining the database of bidders, and the review and approval of micro-contract applications could be performed within the Purchasing Department. Some of these other functions could possibly be more economically performed by other in-house personnel, or required to be performed by the prime contractors.

Although at times outsourcing helps reduce costs and improves services, an analysis should be performed to ensure these services are best performed by outside consultants. Outside personnel should be considered only if the services can be performed cheaper, are temporary in-nature, or specialized expertise is required. If the Authority brought some or all of these services in-house, it could likely save hundreds of thousands per year. Documentation of this analysis should be prepared.

We Recommend the Authority considers structural changes and cost savings measures as addressed above to include a review of duties currently performed by the consultants and determine which items could be done more effectively, efficiently and economically by in-house staff.

Management's Response:

Concur.

An organization staffing professional with expertise in the transportation field is currently conducting a comprehensive evaluation of staffing needs. This expert will provide recommendations to achieve the most effective and cost efficient level of in-house staff and contractual services, including GEC services.

Consistent with the transportation industry, there is a balance of in-house staff and expert consultants required to implement the Board's aggressive Five-Year Work Plans over the past ten years. Outsourcing has allowed the Authority to implement these Work Plans in a very efficient and effective manner. For example, during the 18-month audit period alone, the GEC provided the equivalent of approximately 40 full-time employees to assist with implementation of the Work Plans. With the anticipated decrease in the Work Plan over the upcoming years, the GEC has the flexibility to adjust their staffing levels accordingly. In contrast, the Authority does not possess the same flexibility in adjusting internal staffing needs.

This comprehensive evaluation is a critical step as we move forward in addressing transportation needs in Central Florida. The evaluation results are anticipated by December 31, 2007. Recommendations will be presented to the Board in January 2008 for their consideration and action.

There are many services performed by the MMC that require specialized knowledge and skills, such as fiber optics, bridge inspection, maintenance rating program analysis and field review, operational permit field reviews, and other technical services.

4. The Authority Should Establish an Internal Audit Function

The Authority does not have an internal audit function. The Authority's annual budget for construction and other expenditures exceeded \$250 million for each of the last three budget years. Revenues currently exceed \$200 million a year. In addition to the activities performed by staff, the Authority engages the services of numerous contractors and

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consultants to perform its services. An internal audit function provides many benefits to an organization, among them are the following:

- Assessing and evaluating internal controls;
- Deterring fraud, waste, and abuse;
- Reviewing internal operations for compliance with policies and procedures;
- Reviewing contracted work and billings for compliance with contract documents, accuracy, and appropriateness;
- Ensuring reported financial numbers used to make Board decisions are accurate; and,
- Providing management services when needed for special projects.

For this function to be most effective, it should be independent of the staff that it audits. Best practices noted include having the appointed auditor reporting directly to the Board (or an established audit committee), requiring a number of Board members in excess of a simple majority to remove the appointed auditor, and by providing the appointed auditor with a contract requiring protection for removal without cause.

We Recommend the Authority establishes an internal audit function reporting directly to the Board or audit committee. In addition, safeguards should be put in place to ensure the position is independent. On August 22, 2007, the Authority Board approved the establishment of an Internal Auditor position; **We Commend** the Board Chairman and Authority Board for this action.

Management's Response:

Concur.

The Audit Committee first began discussing the need for an internal audit position on February 2, 2005. The Internal Audit Director position has been advertised. The most qualified candidates have been interviewed by the Audit Committee, which is chaired by one of the Authority's board members, Mr. Harvey Massey; with one representative from the community appointed by the Board Chairman, one representative from the City of Orlando, one representative from Orange County, and Mr. Mark Filburn, Board member. The position will report directly to the Audit Committee and should be filled by November, 2007. The Internal Audit Work Plan will be also be established and directed by this Committee.

5. Services Should Not Be Assigned to a Consultant That Regularly Supervises Such Services

The GEC and the CMC firms that were initially contracted to provide oversight and other services have been performing design and CEI services, respectively. Relating to this, we noted the following:

- A) The majority of final design work performed by section engineers is done under the direct oversight and supervision of the GEC. The GEC in turn reports directly to the Deputy Executive Director of Engineering and Operations. During the audit period, the GEC performed management functions on approximately 30 engineering contracts for design services totaling approximately \$100 million. In addition, the GEC also directly designed several projects in excess of \$300,000 each. These projects were added to the GEC's contract by supplemental agreements. As such, the scopes of services were not competitively solicited. However, our primary concern is that oversight or supervision being performed on these projects is not at the same level as the projects being designed by the section engineers which are supervised by the GEC. According to the Authority, the design projects done by the GEC are being supervised by the Authority's

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Deputy Executive Director of Engineering and Operations. However, given the numerous day-to-day duties of this position; the individual may not be able to adequately provide the level of supervision and oversight that is needed.

- B) The CMC firm currently holds a contract to provide oversight and supervision of consulting engineering inspectors (CEI). The CEI firms ensure that the construction contractor complies with the contract specifications and its quality control plan. The CMC is responsible to ensure that the CEI is adequately performing their oversight responsibilities of the construction contractor. The CMC also performs CEI services for a number of projects; however, without the additional oversight that occurs on the projects they oversee. According to the Authority, these projects are being supervised by the Authority's Director of Construction. However, given the numerous day-to-day duties of this position; the individual may not be able to adequately provide the level of supervision and oversight that is needed (the Construction Department is a one person department that uses the CMC as its staff). Some of these CEI contracts are as follows:

Project Number	Description	Construction Contract Amounts*
417-701	SR 417 & 408 Milling and resurfacing	\$17.8
528-703	SR 528 Milling and resurfacing	25.2

* - millions

Best practices require that work performed by consultants be adequately supervised. Without adequate supervision by staff, the Authority has less assurance that the work being performed by these consultants in the capacity of contractors complies with contract provisions.

We Recommend the Authority not assign the performance of any services to a firm that is also providing oversight responsibilities for those same services.

Management's Response:

Concur.

However the Authority's current processes are in compliance with the recommendation.

The Authority has not, and does not assign the performance of any services to a firm that is also providing oversight services for the same project.

Although the Authority believes that our existing process provides adequate oversight on the design and CEI projects, to continue to find ways to optimize efficiencies, the Authority is working with an organization staffing professional with expertise in the transportation field to conduct a comprehensive evaluation of staffing needs. This expert will provide recommendations to achieve the most effective and cost efficient level of in-house staff and contractual services, including GEC and CMC services.

The GEC contract contemplated a variety of services to be performed, including design services, as the following paragraph describes:

"The ENGINEER will upon written request by the Executive Director, and authorization by the Authority, provide planning, engineering, surveying, and other services to the Authority related to the development, feasibility, design, acquisition, construction, operation and maintenance of the Expressway system. These services will include assignments related to the overall existing and future Expressway system and specific projects within the system." (Source: the GEC scope for General Planning and Engineering Services and is quoted from Exhibit 'A', paragraph 2 in the existing GEC contract (see Attachment A)).

Certain design projects assigned to the GEC do not have the same supervision as Section Engineer projects because

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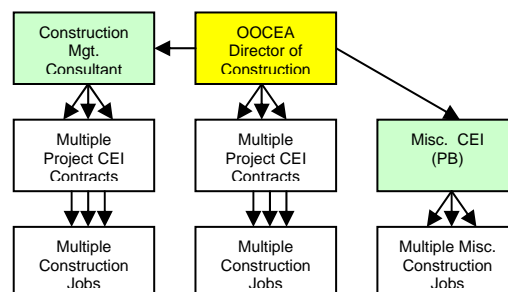


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they are typically smaller and repetitive in nature, such as renewal and replacement projects. Such projects typically do not warrant additional oversight beyond the Deputy Executive Director/Director of Engineering. In addition to the oversight provided by the Deputy Executive Director/Director of Engineering, input is solicited from the Director of Construction, Manager of Expressway Operations, and the Manager of Maintenance for those projects involving their respective areas of responsibility. Furthermore, to demonstrate the oversight provided by the Authority for such design projects, the GEC is required to do the following:

1. Conduct kickoff meetings with Authority staff to clearly define deliverables and final design product.
2. Conduct project progress meetings with the Authority staff to discuss issues and status of project.
3. Submit phase submittals – typically at 60% and 100% design (these projects are repetitive as described above).
4. Respond to phase submittal comments from Authority staff.
5. Provide internal quality assurance/quality control. The GEC is required to have a detailed internal team to review the phase submittals. Also, the GEC Program Manager meets daily with the Deputy Executive Director/Director of Engineering to discuss project progress. In addition, the GEC has weekly internal staff meetings and the minutes of which are provided to the Authority staff.

The Authority disagrees with the assertion that the CEI work is not adequately supervised. The CMC firm does not oversee themselves on any projects for which they are performing work as CEI. The following more accurately depicts the services that the CMC provides to the Construction Department during higher volumes of construction.



Auditor's Comment:

The scope of our testing did not include determining whether the "Authority has not, and does not assign the performance of any services to a firm that is also providing oversight services for the same project," as noted by the Authority. As such, we express no assurances on this.

The oversight noted by the Authority in their response appears to represent typical oversight performed on all design projects and is not unique to projects performed by the GEC.

With regards to the supervision of CEIs on construction projects by Authority Staff instead of the CMC, we also questioned whether supervising CEIs to the extent required is the best use of the Director of Construction's time. The Director is a one person department handling on-going construction projects in excess of \$400 million. For example, on the resurfacing projects, the Construction Manager would typically perform the following:

- Independent verification of CEI documentation for pay requests;
- Independent field reviews of superpave asphaltic concrete and friction course documentation such as asphalt summary sheets of tons placed, roadway and plant tickets, lot submittal package, spread rates, bituminous adjustments for the asphalt bid items, asphalt pre-paving minutes; and,
- Independent reviews of pavement markings material certifications, striping logs, evaluation of station location to ensure striping is within construction limits, and accuracy of field measurements entered in the striping logs, etc.

6. The Finance Committee Composition Needs to Be Clarified

Authority Board policy requires that the Finance Committee be composed of the Board Chairman, Board Treasurer, and

the Deputy Executive Director. However, at present, the Authority has two deputy executive directors. The Authority Board needs to clarify which one, or if both, shall serve on the Finance committee.

We Recommend the Authority Board clarifies the composition of the Authority Finance Committee.

Management's Response:

Concur.

The Authority is looking at the composition of all committees that include staff to ensure appropriate representation. The Finance Committee composition was clarified at the September 26, 2007 board meeting.

***Recommendations for Improvement –
Contracting***

7. The Evaluation and Selection of Contractors and Consultants Should Be Improved

Relating to the evaluation and selection of contractors and consultants and certain other purchasing activities of the Authority, we had the following concerns:

- A) On May 30, 2006, an engineering firm entered into a \$563,000 contract with the GEC to provide Maintenance Management Consulting (MMC) services for the Authority during the period July 1, 2006 to June 30, 2007. This occurred because staff decided not to renew the existing MMC contract (No. 106) effective June 30, 2006 for the final option year due to this consultant's reported lack of performance, unresponsiveness, and late payments to their subcontractor. According to Authority staff, they requested the GEC to perform the MMC services using the engineering firm as their subcontractor. We noted the following concerns with this arrangement:

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- The scope of services was awarded to the GEC without competitive solicitation or adequate documentation to justify a sole source award. In addition, there was no written agreement between the GEC and the Authority or Board approval for the GEC to perform the services. Best practices require competitive solicitation or documented sole source justification, a written agreement, and Board approval.
 - Payments to the GEC for the work performed by the engineering firm were made through the Authority's operating, maintenance and administration budget without Board approval. According to the GEC Program Manager, funds available for these services were obtained directly from the Authority's annual budget document. Consultants should only have access to funds that are provided through formally executed agreements.
 - The Authority paid the engineering firm \$55,436 through the GEC for the purchase of three vehicles for use in performing the services during this interim period. The interim contract did not contain a clause explaining how the vehicles would have been handled at the end of the contract or in the event this engineering firm was not selected as the Authority's MMC when the services were bid subsequently. The vehicles were titled to the engineering firm.
- B) On August 15, 2006, the Board authorized advertising for the services of a MMC. Letters of Interest (LOI) were received from five firms on September 22, 2006. These were evaluated for short-listing by the GEC through one of their sub-consultants. The GEC's sub-consultant, in their LOI review conclusion dated October 5, 2006, stated, "Based on the information included in the Letters of Interest, [two firms, the

engineering firm noted above and another firm] appear to meet the submittal requirements for short listing.” After oral presentations, the engineering firm was unanimously selected by a selection committee to perform the scope of services. Based upon this committee’s recommendation, the Authority Board approved an award of a not-to-exceed \$1.9 million contract for the engineering firm to perform the services of the MMC. We noted the following concerns regarding the selection process for this MMC:

- Since the engineering firm (at the time of the LOI evaluation) was a sub-consultant of the GEC, there appears to be a conflict of interest in the GEC being involved in any part of the evaluation including through its sub-consultants.
- There was no documentation available to support the evaluation performed by the Authority was based upon weighted objective criteria even though the Authority had been using an evaluation form with objective weighted criteria for the evaluation of other LOIs and selection of consultants.
- Except for a handwritten tabulation recording each committee members’ selection of the engineering firm as the MMC after oral presentations, there was no scoring sheet or minutes to show the basis of the committee’s decision to rank the selected engineering firm as the number one firm. Good procurement practices provide a scoring sheet for all committee members to evaluate oral presentations.

Based upon the above, the award of the new MMC contract (No. 387) to the engineering firm does not appear to have been a fair and unbiased selection process.

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- C) On May 26, 2006, the Authority executed a supplemental agreement for \$1.2 million with the former MMC (whose contract was not renewed for the final option year noted above) for construction engineering inspection (CEI) services for the construction of the new administration and operations building. The introductory paragraph of the supplemental agreement states that the effective date of the agreement is January 25, 2006. Also, paragraph No. 3 of the supplemental agreement states, "This agreement shall be from November 1, 2005 through December 31, 2007." We note the following concerns with regard to this supplemental agreement:
- The CEI services were not competitively bid but given to the former MMC with a supplemental agreement to their road maintenance management contract even though the new services did not fall within the scope of the services covered by the existing contract. In addition, at the time the supplemental agreement was executed, the Authority had decided not to renew the MMC contract with this firm for the final option year as noted in (A) above.
 - The initial \$16,000 invoice for CEI services, dated December 24, 2005, included charges for work performed during October 2005. This was prior to the effective date as well as the retroactive period covered by the supplemental agreement. This invoice was paid by staff without Board approval or any notation to show that the work was verified as valid, without regard that it was performed outside of the contract period.
 - On July 20, 2006, an internal memo from a senior staff member to the Executive Deputy Director of Engineering and Operations stated that the CEI "services were not procured in

accordance with Authority policy” that is, with competition, and recommended cancellation of the supplemental agreement and procurement of the services through the competitive process. Authority staff cancelled the supplemental agreement; however, they simultaneously arranged for the former MMC to continue performing a reduced scope of CEI services on the building as a sub-consultant to the GEC for \$385,000.

- Based upon our interviews and the revised scope, memos, and notations found at the Authority; the original supplemental agreement, subsequently cancelled by the Authority, contained scope of services that were either unneeded or already being performed by the GEC. As a result, it appears that the original supplemental agreement contained approximately \$785,000 of duplicate or unneeded services.
- The GEC’s subcontract for CEI Services at the Authority’s new administration and operations building does not include enough information to determine how the total labor compensation was derived. It contains an overhead and profit multiplier and maximum compensation but not the direct labor hours and pay rate used to determine the total. Documentation of the method used to compute labor charges should be included in the contract. Lack of such information hinders the ability to ensure that subsequent invoices comply with contract terms.

D) Evaluation and selection of other contractors and consultants were not adequate as noted below:

- The three Letters of Interest (LOI) reviewed in our sample did not have documentation of the specific weighted evaluation criteria in the

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notice to the proposers. Without stated criteria (with appropriate weighting) for evaluation, potential proposers, especially first time proposers, are at a distinct disadvantage.

- Several of the contract files reviewed did not contain written guidelines for the evaluation of LOIs, technical proposals, oral presentations, and pricing.
- The contracting files did not show that all evaluation committee members completed scoring sheets for the evaluation of proposals/LOIs in seven of ten instances as follows:

Contract Number	Type of Contract	Number of Scoring Sheets not Completed
350	Investment Banking Underwriting Services	3 of 3
154	Toll Services	5 of 5
380	Maintenance services	2 of 5
289	CEI Services*	5 of 5
304	CEI Services	3 of 5
337	CEI services	1 of 5
313	Design Services	1 of 5

* - LOI evaluated by a consultant.

In the case of the Investment Banking Underwriting Services noted in the chart above, the evaluation committee decided not to follow the evaluation process documented in the RFP for the selection. Instead, the committee discussed the various proposals and selected the investment banking underwriting group by consensus, and did not individually score each proposal.

- The contracting files did not show that all evaluation committee members completed scoring sheets for the evaluation of technical proposals in five of nine instances as follows:

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Contract Number	Type of Contract	Number of Scoring Sheets not Completed
154	Toll Services	5 of 5
99	Maintenance Services	5 of 5
289	CEI Services*	5 of 5
304	CEI Services	1 of 5
337	CEI services	3 of 5

* - No technical proposals allowed

- The contracting files did not show that all evaluation committee members completed scoring sheets for the evaluation of oral presentations in seven of eight instances as follows:

Contract Number	Type of Contract	Number of Scoring Sheets not Completed
154	Toll Services	5 of 5
99	Maintenance Services	5 of 5
289	CEI Services*	5 of 5
304	CEI Services	1 of 5
337	CEI services	3 of 5
313	Design Services	5 of 5
290	Design Services	5 of 5

* - No oral presentation allowed

In the case of contract No. 289 noted in the table above, a memo dated March 11, 2005, instructed the evaluation committee that the selection process would not include short listing or technical proposal or oral presentations but was to be based upon only the LOI. As such, this selection was not based upon documented scoring of objective criteria even though this was the practice in the selection of CEIs for other projects.

- The contracting files did not show that all committee members completed scoring sheets

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for the evaluation of pricing in three of four instances as follows:

Number	Contract Number	Type of Contract	Number of Scoring Sheets not Completed
1	154	Toll Services	5 of 5
2	99	Maintenance Services	5 of 5
3	283	Consulting Services	5 of 5

- In three of 13 instances, the final evaluation was not documented by minutes or a summarized scoring sheet. The contracts involved were Nos. 387, 99, and 312.

RFP criteria and scoring is used to help ensure an unbiased selection of the best, lowest, and responsive proposer/bidder. In addition, without adequate documentation, there is no assurance that responses to RFPs, LOIs, technical proposals, oral presentations, and prices are being properly evaluated. Without a documented evaluation, there is no assurance that the contracts are being awarded fairly. Good procurement practices require adequate documentation including scoring sheets and minutes of committee meetings as well as transparency in the evaluation of proposals/bids and the awarding of contracts.

- E) A bid for a unit price contract for storage facilities was awarded in February 2006 without the estimated quantity of units requested in the bid solicitation, offer, and award form. Instead, the lump sum totals used to determine the outcome of the bid were derived from footing the unit prices of the 27 individual items without considering the specific estimated quantities of each item to be purchased. As such, the calculated contract low bid price was skewed and did not accurately reflect the not-to-exceed contract amount of \$70,000 that was awarded. As a result, there was no evidence that the contract was awarded to the bidder with the lowest total cost. Unit Price Bid Contracts should include the estimated number of

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units needed. This allows a bidder to provide prices on each item and apply this to the estimated number of units to arrive at a total cost to determine the lowest responsive bidder.

- F) The Authority entered into open-ended contracts without expiration or re-evaluation dates in place. During our review, we noted that the contracts for GEC (since 1986), Right-of-Way Attorney (since 1992), and Legal Consultant (since 2002) were entered into without a fixed contract expiration date. Payments under these contracts during the audit period were as follows:

- GEC services - \$11.5 million;
- Right-of-Way attorney services - \$5.3 million in fees; and,
- Legal consulting (General Counsel) services - \$1.1 million.

Contracts should be awarded for a specific number of contract years (including option years). As such, the Authority has paid millions of dollars to these firms without the opportunity for competition to determine if the best services at the lowest price have been obtained.

We Recommend the Authority ensures the following:

- A) Written contracts, detailing all relevant events are entered into for all contractual relationships in accordance with newly written procurement procedures;
- B) Implementation of procedures that ensure the fair and unbiased selection of all consultants and contractors not only in fact, but in appearance;
- C) Issue all contracts through the newly created Procurement Director and ensure contracts do not contain duplicate scope of services;

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- D) Follow procedures for analyzing and evaluating LOIs, responses to RFPs, technical proposals, oral presentations, price proposals and bids for contract awards;
- E) Adequate documentation of the selection and award process;
- F) Cancel and re-bid the contract for the MMC and the storage facilities; and,
- G) No open-ended contracts without expiration dates are awarded.

Management's Response:

- A) Concur.

The audit correctly found that:

"The scope of services was awarded to the GEC without competitive solicitation or adequate documentation to justify a sole source award. In addition, there was no written agreement between the GEC and the Authority or Board approval for the GEC to perform the services."

The Authority identified this issue and cancelled this scope of work with the GEC and moved forward with a competitive process before the audit fieldwork began.

- B) Concur.

The minimum qualifications are explicitly listed in the advertisement for the LOI and objectively verifiable.

The audit states:

"There was no documentation available to support that the evaluation performed by the

Authority was based upon weighted objective criteria even though the Authority had been using an evaluation form with objective weighted criteria for the evaluation of other LOIs and selection of consultants.”

The process that was carried out was as follows:

- 1) Request for LOI issued to solicit firms to propose services.
- 2) Proposals were received and forwarded to GEC to verify the minimum qualifications were met – i.e.: pass/fail process. The minimum qualifications were as follows:
 - a. Specific experience with at least three similar projects;
 - b. Project Manager with three years of experience in major highway and facilities maintenance projects;
 - c. List of sub-consultants to be utilized and their qualifications;
 - d. Prequalification by FDOT for Type of Work specified;
 - e. Office and key staff located in Orlando.
- 3) Two firms were deemed to have passed and those LOIs were sent to the selection committee;
- 4) Committee heard orals for all firms that met the qualification criteria, ranked both firms and recommended the number one firm to the Board.

The advertisement for the MMC contract is very specific; the shortlist process is based on pass/fail. Quote from the advertisement: “The Authority will shortlist firms based on the Authority’s “Pass/Fail” evaluation of the Letters of Interest and qualifications information received.” We have attached the advertisement here under Attachment B.

C) Concur.

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The audit acknowledges that the original supplemental agreement for CEI services was subsequently cancelled by the Authority. It should be noted that this action was taken after the deficiency was identified by the Authority's control processes, prior to the start of this audit.

D) Concur.

While the Authority agrees that the advertisements for LOIs do not contain weighted evaluation criteria, they do list the criteria that will be considered by the selection committee. For engineering consultant selection, this is consistent with Florida Statute (CCNA) and industry practice (FDOT procedures).

E) Concur.

F) Concur.

The Authority is evaluating the feasibility of re-bidding the MMC and storage facilities contracts.

An organization staffing professional with expertise in the transportation field is currently conducting a comprehensive evaluation of staffing needs. This expert will provide recommendations to achieve the most effective and cost efficient level of in-house staff and contractual services, and will be performing a thorough evaluation of the MMC contract.

The centralized Procurement Department and the associated Procurement Policy adopted by the Board on April 26, 2007 addresses these concerns. The Authority will have the centralized Procurement Department completely established by December 31, 2007.

G) Concur.

The centralized Procurement Department and the associated Procurement Policy adopted by the Board

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on April 26, 2007 addresses these concerns. The Authority will have the centralized Procurement Department completely established by December 31, 2007.

Auditor's Comment:

- B) Certain of the evaluation criteria were not totally objective and required some amount of subjective interpretation. For instance, the sub-consultant was required to evaluate whether the proposing firm had the required project and personnel experience. Further, as noted in Management's Appendix B, the evaluation of this criteria may be cause for rejection of the bid during the Pass/Fail evaluation, which is also subjective.

In addition, the Authority bypassed an evaluation of the technical proposal. It also should be noted that during a typical evaluation process, the Authority would only count the oral presentation as 30 percent of the process. In this instance, the evaluation of the oral presentation was the only part of the process used in awarding the contract.

8. Staff Should Inform the Authority Board of All Pertinent Issues Prior to Requesting Approval and Board Agenda Practices Should Be Revised

Pertinent information relating to Board agenda items and consent agenda items were not always provided to the Authority Board. Examples are noted as follows:

- A) During our review, we noted instances where Authority staff did not provide the Board with sufficient information to enable the Board to make informed decisions for items presented as part of the agenda package. Examples of these are as follows:
- The Authority accepted five separate proposals for team building and organizational efficiency

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exercises with a consulting team. All five of these proposals were brought to the Board for approval. Most of them were in excess of \$100,000 and in total they equaled approximately \$573,000. Staff did not inform the Board that each proposal was a continuation of the previously obtained services. Had the Board been informed of the total amount spent as of the dates the new proposals were presented, the Board may not have authorized staff to continue to contract for these services.

- In March of 2007, during the audit fieldwork, we asked Authority staff for a copy of their response to a construction contractor's request to pay out mobilization costs at a pace faster than the contract terms and what was historically paid for other construction projects. At the time, the contractor had billed and the Construction Department had approved payment of 99.3 percent or \$12.5 million (pay request No. 14) of the total mobilization amount of \$12.6 million. At this point approximately 22 percent of the work had been completed. The contract terms required payments of mobilization as follows:

Percentage of Project Completed	Percent of Mobilization Due
5%	25%
10%	50%
25%	75%
50%	100%

As such, only 50 percent or (\$6.3 million) of the mobilization was due at this point. The actual amount paid as of the prior pay request that included mobilization was \$9.5 million or 75 percent of the total mobilization. A detailed review of the mobilization paid showed that the mobilization was not paid in accordance with the contract specifications in effect at the time

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of the contract initiation, but were being paid at an accelerated rate.

On April 12, 2007, staff requested Board approval for "...*authorization to agree to a compromise of disbursing payment for the mobilization.*" Staff further explained that the mobilization was to be paid in total at 25 percent of the project completion as opposed to the previously approved method of providing final payment at 50 percent completion. However, we noted that a paid consultant for the Authority had previously (on June 7, 2006) agreed with the contractor to modify the Authority's payment practices and provide payment in this manner; as further evidenced by the Authority providing payments under this accelerated method. The fact that staff had already agreed with this accelerated payment method and had been issuing payments in this way was not disclosed to the Board.

While entering into these agreements may be in the best interest of the Authority, the Board should be informed of all information relevant to their decision making process. Informing the Board that the request is a continuation of previously requested amounts or that Authority staff has previously entered into an agreement to perform such should be disclosed.

- B) Certain supplemental agreements relating to section engineer contracts are not being submitted to the Authority Board for approval. Examples are as follows:

Date	Contract Number	Supplemental Number	Amount
03/01/07	313	1	\$499,884
03/20/07	528-401	1	155,495

It appears there is a practice of getting Board approval for section engineer contract for a not-to-exceed contract amount, then executing a contract for

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a lesser amount. Subsequently, supplemental agreements are written for amounts up to the initial amount approved by the Board without obtaining Board approval for the supplemental agreements. For example, for contract No. 313, the Board approved a not-to-exceed contract of \$5,750,000. Staff then negotiated and executed a contract for \$5,249,696. Based upon this request, the Board is only authorizing staff to negotiate and enter into a contract that is not-to-exceed \$5,750,000. Consequently, any subsequent agreements must be brought to the board for authorization. For project No. 528-401, the approval was for a not-to-exceed contract of \$2,000,000. The contract was executed for \$1,521,887. As such, the Board is not aware that these supplemental agreements were executed. The Authority Board policy requires that all supplemental agreements be approved by the Board.

- C) Information included on the public Board Consent Agenda did not include all relevant information that should be included. Examples of the information not included are as follows:
- Descriptions for construction contracts do not include the amount or whether the contractor was the lowest responsive and responsible bidder.
 - Supplemental agreements for construction contracts do not include the project description, scope of services, amounts and cumulative amounts spent to date.
 - Descriptions for consulting services contracts do not include the amount or the contract length.
 - Supplemental agreements for consulting contracts also do not indicate the dollar amount, period involved, or the cumulative amount spent to date.

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The public Board Agenda should contain information relevant to the contracts awarded and decisions to be made by the Authority. Without such, the public is not adequately informed of the Authority's operation and is not provided information that may allow them to better understand the Authority's operations.

We Recommend the Authority performs the following:

- A) Informs the Board of all relevant information related to approvals requested;
- B) Ensures that all supplemental agreements are presented to the Authority Board for approval; and,
- C) Expand the Authority agenda provided to the public to include more detailed and informative data.

Management's Response:

Concur.

The Authority has taken steps to provide greater transparency into Agency business. While this is an ongoing process, we appreciate your suggestions for additional ways we can afford the public the right to information leading to Board action.

The Authority does make available a complete Board member packet for public inspection. Further, it is a long-term goal of the Authority to provide all information contained in the Board member packet on our website.

Our strengthened procurement policies and procedures address the issues you have identified. In addition, all Florida toll authorities will soon be directed by the Florida Transportation Commission (including OOCEA), to provide a report to their respective Board each month of all procurements, executed under the Board approval threshold. This action will result in 100% complete and full disclosure of all procurements and expenditures.

9. A Direct Purchases Policy Should Be Developed, Approved by the Board, and Implemented by the Authority

As a Florida State Agency the Authority is exempt from Florida State sales tax (currently 6.5 percent). As such, the Authority should, whenever practical, take advantage of its tax-free status and procure large ticket items directly from the supplier (direct purchasing) and provide them to the contractor for installation.

The Authority did not use direct purchasing in the acquisition of materials for road construction projects during the audit period. We were informed by Authority staff that the Authority utilized a similar method in past years that also achieved sales tax savings, but according to staff, this had not been used since the late 1990s. In addition, the Authority does not have a written policy detailing the procedures to use or the times when direct purchasing should be considered.

During the audit fieldwork, Authority staff was making efforts to implement direct purchases. As a result, arrangements have been made to use direct purchases on one road construction project, and language is being included in current Invitations for Bid documents regarding the potential use of direct purchases. Also, we noted that direct purchasing is being used for the acquisition of materials and equipment for the construction of the Authority's administration and operations building. Staff estimated that savings in sales taxes on the road construction project will be approximately \$2.3 million and \$300,000 on the construction of the new building. As a result, it is apparent that millions of dollars of sales tax savings could have been achieved each and every year.

During the previous audit of the Authority, we recommended the Authority implement a direct purchases policy. The Authority Executive Director disagreed with that recommendation.

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Essential elements of a formal written policy would include procedures to establish responsibilities of all parties involved and provide guidelines as to when direct purchases should be used on projects. Formal policies reduce the risk of inequitable administration of the program. The use of the direct purchase method could be negotiated with contractors based on the items identified by the Authority or the contractors.

We Recommend the Authority develops and implements a formal written policy for utilizing the direct purchase method of procurement. This policy should be presented to the Board for approval.

Management's Response:

Partially concur.

The Authority has an Owner Direct Purchase (ODP) process and procedure. It is Legal Counsel's opinion that no additional policy is required.

The Authority has a history of owner procured/furnished materials that dates back to its origin. The Authority has on every new highway alignment since the mid 1980's, bid and contracted for material elements of projects and furnished same to the Contractor for incorporation into the project in order to realize sales tax savings.

It is the belief of the Authority staff that the high profile widening of an existing facility like SR 408 or toll plaza conversions (being labor and equipment intensive, requiring high coordination with limited lay down area, and not at all material intensive) were not good candidates for Owner Direct Purchase (ODP). It is these types of projects that dominated the period reviewed by the County.

As communicated to the auditors during the 2004/2005 audit, there are inherent risks and costs in adopting an owner furnished material program. For example, during the construction of the SR 429 in late 1990's, OOCEA had an owner furnished material contract to furnish MSE walls for

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the entire project (SR 50 to US 441). As part of that contract for the MSE walls, a delivery schedule was included in the construction documents. The roadway contractor for Projects 602 and 603 requested the delivery of all the MSE walls shortly after their Notice to Proceed was issued. This was not anticipated and conflicted with the owner furnished material contractor delivery schedule. The MSE wall manufacturer could not supply all of the walls because he was also making walls for the other projects and had a fixed production rate. The roadway contractor claimed a delay in the schedule because the walls were not delivered immediately following the request. This situation cost OOCEA approximately \$200,000 to resolve.

The Authority did, however, agree with the auditors that an owner furnished material program would be quite efficient for the construction of its headquarters building, already in the planning stages in 2005. The Authority did, contrary to the auditors' implication, proceed with developing procedures to capture the tax savings on that project. Attached as (Attachment C), is an email from the Director of Construction to the CFO dated August 8, 2006, with attached procedures, guidelines, draft forms and sample invoice tracking sheets for an Owner Direct Purchase (ODP) Program to be implemented for this project. Further documentation includes a purchase order to Atchley Steel, Salem, AL. The P.O. was executed by the Director of Construction on 10/13/06 for \$91,801 (Attachment D). It is estimated that the Authority has saved over \$300,000 in sales tax on this project.

Under the Authority's Owner Direct Purchase (ODP) process, the contractor identifies the vendor and prescribes the terms of the material purchase. The Authority makes the purchase and payment. The amount of the material purchase, plus sales tax, is then deducted from the amounts earned by the contractor on the construction contract. This program is slightly different than that recommended by the auditors, but the result is the same; a reduction in the cost of material by using the Authority's sales tax exempt status.

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Once the Authority had worked through the glitches in this program, it was then applied to the next new alignment project, the John Land Apopka Expressway. This is evidenced by the Memorandum of Agreement (MOA) below documenting the November 30, 2006, Pre-Award Meeting with the Contractor, the first item discussed and agreed to:

3 ITEMS DISCUSSED AND AGREED TO

- A The Authority has requested the opportunity to eliminate the costs of sales tax on major material purchases for this project. The Contractor has agreed that the Authority may opt to purchase any major materials for this project through an owner direct purchase process. This process will consist of Ranger Construction Industries, Inc. (RCI) establishing the purchase terms and details for these material purchases with the final purchase order issued from the Authority containing said terms. Subsequent to approval by RCI the Authority will pay the material suppliers directly for these materials and RCI's subsequent progress payments will be reduced in the amount of the material purchases and the applicable sales tax for that material. RCI will be fully responsible for the entire scope of the work involving these material purchases including but not limited to preparation of the terms and conditions of the purchase and all coordination with the supplier/vendor for the manufacture, delivery and acceptance of the materials. Any pay early discounts offered by the respective material vendors that are realized through normal Authority bill processing will be to the benefit of RCI.

The Authority has saved \$2.3 million in sales taxes on the SR 414 Maitland Boulevard Extension alone.

While the Owner Direct Purchase program lends itself well to horizontal building and new alignment projects, the Authority believes that the high profile widening of an existing facility, like SR 408 or toll plaza conversions, being labor and equipment intensive, requiring high coordination with limited lay down area, and not at all material intensive, are not good candidates for Owner Direct Purchase (ODP). It is these types of projects that dominated the period reviewed by the County.

Auditor's Comment:

We never implied the Authority did not plan to use direct purchases during the building of their headquarters building. However, it needs to be noted the Authority is in the business of building roads.

Three of the five projects on SR 408 during the audit period totaled in excess of \$250 million. These projects included significant quantities of structural steel, steel pilings, concrete pilings, concrete, culverts, and other items. Many of these items, costing millions of dollars, could be

purchased under a direct purchases program. As such, we do not ascribe to the theory that road widening and other construction should be arbitrarily excluded from direct purchases (lay down area should not effect the evaluation criteria). Direct purchases should be considered on all construction projects. Regarding the use of direct purchases for SR 414 Maitland Boulevard Extension, this occurred only after the audit process began.

Given the history of the sporadic of use of direct purchases on road construction, we believe the policy needs to be a directive from the Authority Board.

10. The Road and Facility Maintenance Contracts Should Be Revisited

During our review of the maintenance contracts and billings (two highway maintenance and a facilities maintenance contracts), we had the following concerns:

- A) It appears that the Authority has been paying twice for maintenance services on roads under construction. The Authority was being billed a fixed amount each month (without any adjustments) for highway maintenance work that may not have been performed on road sections that were undergoing improvements. According to the construction contracts, the maintenance of the construction zone is the responsibility of the construction contractor during the construction period. We reviewed two improvement projects (253A and 253C) along SR 408 for maintenance provisions. Each of the construction contracts contained line item expenses for the road maintenance that the construction contractors were to perform. Both of the contracts also contained special provision language as follows:

...Throughout the construction phase of the project the Authority requires the [construction] Contractor to maintain the system as close to the existing operation standards as possible.

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This was followed by a detailed description as to how to perform these services such as, frequency of mowing, litter removal, roadway cleaning, etc.

In addition to the provision and payments contained within the construction contracts, both the areas under construction were part of the system covered in maintenance contract no. 379 under which the maintenance contractor was being paid a fixed amount of \$381,418 per month.

Calculations for the two projects used in our sample showed that from the inception of the improvements, when maintenance responsibility shifted to the construction contractors, up to May 31, 2007, \$543,124 was paid to the maintenance contractor to maintain these two roads within the construction zones. Further, projecting the additional amount that will be paid to the end of the contract shows a combined amount of over \$1 million as follows:

Dollars Paid To MMC for Services in Construction Zone			
Description	Actual to May 31, 2007	Additional Projected to Completion Date	Total
Proj. 253A	381,249	24,304	405,553
Proj. 253C	161,875	440,709	602,584
Totals	543,124	465,013	\$1,008,137

When we discussed this issue with the Authority, the Authority contacted the maintenance contractor, and in a return e-mail dated May 30, 2007, the contractor stated, "I recall the construction along SR 408 being discussed during the negotiations and this being taken into further account when the price was lowered following negotiations." No documentation could be provided that confirmed that the contractor had reduced its price for the above construction areas, or whether other factors were considered in the negotiations.

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- B) The original five-year road maintenance contract was issued in 2001 with an option to renew for an additional five years. The original contract was issued for \$7.8 million (\$7,500 per lane-mile) for the five year period. During the ensuing five-year period, numerous supplemental agreements for additional roadways (at various rates per lane-mile ranging from \$19,574 to \$20,500), and for additional services were added to this contract. During the final year of the first five-year contract, the scope of work had increased by 67 lane-miles. Additional roadways (84.8 lane-miles) were added in June 2006 at the time the contract was renewed at a rate of \$23,444 per lane-mile. As a result, the contract was renewed (with an expanded scope) for an additional five-year period for \$23.4 million, an increase of \$16.5 million and 152 lane miles without bidding. Contracts with an expanded scope should not be renewed, but should be bid.
- C) The other road maintenance contract (No. 99) that was entered into in July 2000 for \$3.1 million was also renewed for another five years on July 1, 2006 for \$7.2 million without bidding.
- D) The facilities maintenance contract (No. 380) issued in August 2001 for \$4.7 million was also renewed for an additional five years for \$7.1 million or a 48 percent increase in price without re-bidding. This contract also included an increase in scope.

In all these cases, there was no documentation to show justification for not re-bidding the contracts. It is apparent that the original contract scope had changed significantly. In instances where the scope has changed, contracts should not be renewed with a contractor, but re-bid to ensure the best price and quality services are being provided.

We Recommend the Authority performs the following:

- A) Takes appropriate steps to amend the current highway maintenance contracts to include language

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that requires a reduction of monthly billings for maintenance work that is performed by construction contractors when highways are being improved; and,

- B) Considers re-bidding the maintenance service contracts.

Management's Response:

- A) Concur.

Maintenance contract revisions to reduce monthly billings when maintenance work is performed by construction contractors, instead of averaging the estimated total cost over the contract period will be proposed to the Board.

The Procurement Policy adopted by the Board on April 26, 2007 requires standardization of contracts. Procedures are being prepared by the Procurement Director to develop standardized contracts, where applicable. The boilerplate contract for Maintenance will include a provision for reduced monthly billings when maintenance work is performed by construction contractors, instead of averaging the estimated total cost over the contract period.

The Authority did not pay twice for maintenance services on roads under construction. The Authority negotiated a reduction in the ICA, Inc. contract total for maintenance service for roads under construction. A letter from ICA, Inc. to OOCEA dated April 3, 2006 (Attachment E), specifically states that construction activity on SR 408 was taken into account. In construction zones, the maintenance contractor continues tasks such as herbicide applications, for example. The construction contractor is responsible for things such as debris removal.

- B) Concur.

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The centralized Procurement Policy now requires re-bidding contracts when significant scope changes are needed. Procedures are being prepared by the Procurement Director to ensure Procurement Policy compliance.

An organization staffing expert is evaluating the Authority to recommend the most effective and cost efficient level of in-house staff and contractual services, and will include an analysis of maintenance contracts. The evaluation results are anticipated by December 31, 2007.

Auditor's Comment:

- A) A detailed reading of the letter dated April 3, 2006 (Management's Attachment E) shows that it was submitted as a justification for the increased contract price as evidenced by statements such as, "additional operational costs incurred to take over the roadway mileage on SR 408 are inclusive to this bid." This clearly implies that the construction within 408 was a cause for the increased bid. In addition, the Maintenance Contractor's subsequent letter to the Authority dated August 2, 2006, documenting the negotiations and justifying the renewal amount as required by Sec. 6.4 of the original contract includes the following statement:

In addition to the vegetation maintenance...this renewal includes maintenance of all roadway items for SR 408.

As such, this subsequent letter also included no reference to a reduced scope of maintenance for SR 408 while under construction.

Further, the construction contracts included \$200,000 and \$208,000 for road maintenance services in each of the respective construction contracts.

11. CEI Services for Unrelated Projects Should Be Competitively Solicited

The Authority did not utilize competitive solicitation for the awarding of a contract for Construction Engineering and Inspection (CEI) services on Project 504A for SR 408 Good Homes Road Interchange Improvements for which the CEI contract value was \$1.5 million.

Instead, the Authority granted the work to a firm that had an existing contract (No. 60) for CEI services for project No. 252B. We noted that the projects involved were being constructed by different contractors. The CEI services should have been awarded through competitive solicitation. According to staff, a contract for this project was not competitively solicited because it was located close to an ongoing project. Competitive solicitation should occur to ensure the Authority is getting the best service at the lowest price.

We Recommend the Authority ensures that contracts for CEI services for independent projects be competitively solicited.

Management's Response:

Concur.

However the Authority's current processes are in compliance with the recommendation.

The centralized Procurement Policy adopted by the Board on April 26, 2007 requires re-bidding contracts when significant scope changes are needed. Procedures are being prepared by the Procurement Director to ensure Procurement Policy compliance.

In August 2005, the Board authorized the expansion of the 252B project to include 504A for the following reasons:

- A) The 504A project was within the physical limits of the 506A project;

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- B) Projects 504A and 506A were constructed by the same contractor, Middlesex Construction;
- C) The character of work was similar to the other CEI assignments 252A and 506A.

The Authority currently estimates that because of the efficiencies gained by combining these projects, the Authority will realize a \$1,000,000 savings compared to the limiting amounts contracted.

12. The Authority Should Document Reasons for Construction Bid Differences and Modify Construction Estimation Procedures

The Authority contracts with Design Engineers (called Section Engineers) to design roadways and roadway improvements for the System. As part of the contract, the Section Engineers are required to provide estimates of the cost of each project at various intervals throughout the design phase. These estimates are projections of the total estimated cost (of the whole project) based on the knowledge to date of the project requirements. The estimates are to be provided to the Authority's General Engineering Consultant (GEC). The GEC, in consultation with the Authority and various other parties, prepares the final estimate that is used in the budget process and the evaluation of bids.

Bid prices received were significantly different (both higher and lower) than the final cost estimates prepared in 56 percent (nine of 16) of the projects reviewed in excess of \$10 million. These differences are noted in the chart on the following page:

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Comparison of Engineer's Estimates with Winning Bids				
Project Number	Engineer's Estimate*	Winning Bid*	Over/under Bid*	Percentage Difference
252A	\$31.8	\$27.5	\$4.3	16%
406A/B	10.6	12.9	-2.3	-18%
456A	17.0	20.2	-3.2	-16%
504A	13.4	14.9	-1.5	-10%
528-300	31.0	26.7	4.3	16%
653	29.9	25.8	4.1	16%
414-210	168.4	105.6	62.8	59%
414-211	114.0	89.7	24.3	27%
528-703	30.6	25.2	5.4	21%

* In millions

For example, a detailed look at the Section Engineer's estimated total cost for construction at 90 percent design for project No. 414-210 was \$94.6 million. After this estimate was submitted to the GEC, the amount was revised to \$160 then \$168 million at the time of the bid. The bid price accepted for this project was \$105.6 million. Regarding this procedure, we had the following concerns:

- A) One of the functions outsourced to the GEC is assistance with the analysis and evaluation of bids for recommendation of the construction contractor for road projects. We reviewed several of these project files and noted the documentation in the contract file and documentation provided after request was inadequate to support the bid analysis and evaluation. There was no documentation to show that the bids were analyzed and evaluated for the following:
- Front-end loading of the bids. Front-end loading occurs when the contractor inflates the costs of the early items to be performed, as shown on the schedule of values, and reduces the costs of the items to be provided and billed at the latter stages of construction to improve cash flow at the beginning of the project.
 - Significant variances between the total amount of the winning bid and the engineer's estimate. For instance, standard practice is that a bid that is plus or minus 10 percent of the

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engineer's estimate is considered a significant variance that should be evaluated.

- Significant variances between prices for line items on the bid compared with the line items on the engineer's estimates. This aids in determining the areas that significantly effect the total price variance.
- Variances between the winning bid and the unsuccessful bids.

Without adequate documentation of the analysis and evaluation process, there is no assurance that contracts are awarded to the lowest responsive and responsible bidder.

Authority staff informed us that the Authority, the GEC and other consultants prepare the final cost estimates because the GEC has extensive and up-to-date cost and pricing data.

- B) The language governing the submittal of cost estimates in contracts for final design engineering services is not always consistent and adequate. Based upon an examination of a sample of six contracts for final design services, we noted inconsistencies as follows:

Contract Number	Project Number	Cost Estimate Submittals Required by Contract				
		At 30%	At 60%	At 90%	At 100%	At Final
070	252A	Yes	Yes	Yes	Yes	No
028	252B	No	No	Yes	Yes	No
030	253A	Yes	No	Yes	Yes	No
340	253C	Yes	No	Yes	Yes	No
193	414-210	Yes	No	Yes	Yes	No
207	414-211	Yes	No	Yes	Yes	No

Generally accepted procurement procedures for final engineering design services require various submittals including the construction plans and engineer's cost estimate. If in certain projects a

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different submittal requirement is needed, documentation supporting such should be prepared. Usually the submittal of the construction plans are required at the 30, 60, 90, and 100 percent stages followed by submittal of the final construction plans. Standard practices for design services require that the design engineering consultant provide a final estimate of the construction costs. This is done to allow the budgeting for the project to be adequately performed and to provide a means to evaluate the bids received. Furthermore, contract language should allow for requiring the design consultant to redesign or perform other services as may be necessary, at no additional cost, to permit contract award within the budget constraints in the event bids significantly vary from the estimated costs. As a benchmark, Orange County's boiler plate for procurement of final engineering design services requires various submittals including the following:

The consultant shall prepare and submit an engineer's cost estimate for construction of the project at each review submittal...30%, 60%, 90%, and 100% Construction Plans and Engineer's Cost Estimate... [at] `Final Construction Plans and Engineer's Cost Estimate... If no bid is within +/- 10% of the Engineer's estimate, the Consultant will prepare a revised estimate, re-evaluate the construction plans, evaluate the bids and submit a report that summarizes this information. This report will include recommendations for revisions to the construction documents, if needed. This report shall be prepared at no cost to the County.

The process used by the Authority should be reviewed for adequacy and consistency. As a cost savings measure, consideration should be given to having the Section Engineer prepare the final cost estimates as this is just a

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matter of updating the cost estimates generated with the 100 percent design submittal.

We Recommend the Authority performs the following:

- A) Document the review of bids received where the lowest responsive bidder is more than 10 percent outside the final construction estimate for adequacy of the estimate and winning bid; and,
- B) Review the Section Engineer and GEC roles in providing final cost estimation to ensure the most cost effective method is used.

Management's Response:

- A) Concur.
- B) Do not concur.

The Authority believes that the current approach to cost estimation is the most cost effective method. All bids are evaluated to determine the lowest responsible bidder. The engineers' estimate targets the average bid, not the low bid, as charted by the auditors. The dollar amount of the bid is always evaluated relative to the engineers estimate and significant variances are investigated by Authority staff.

The reasons for the significant variance in the bid highlighted in the finding were found to be improper assumptions for the embankment and maintenance of traffic. Once those errors were identified, the bid was considered reasonable and submitted to the Board for acceptance.

In another case not cited by the audit, the Authority had received bids on the Lake Underhill bridge project, which were 30% above the engineers' estimate. In this case, the cause was determined to be rapidly escalating costs in material. Because the

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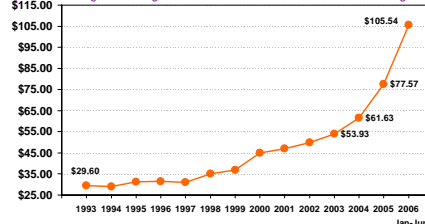
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increase was cost prohibitive, the Authority opted to redesign the project for cost savings.

The Authority's estimation process is a collaboration of the Section Engineers, the GEC, Authority staff and the Construction Management Consultant (CMC). The process begins with the Section Engineers' 100% estimate using OOCEA historical and FDOT's statewide historical unit prices. Then the GEC, CMC, and Authority staff evaluates the estimates for accuracy and completeness and provides input. The estimation process has been quite challenging over the last two years given unprecedented increases in prices of commodities such as earthwork, asphalt, concrete, and steel. The industry has experienced increases in these areas of as much as 300%.

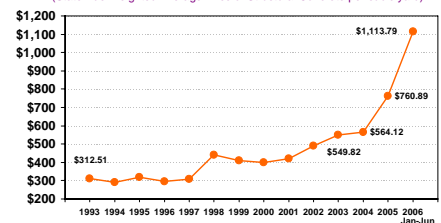
The Cost of Asphalt

(Statewide Weighted Average Price for Structural and Friction Course Tonnage Items)



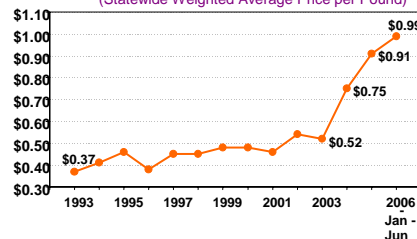
The Cost of Concrete

(Statewide Weighted Average Price of Structural Concrete per cubic yard)



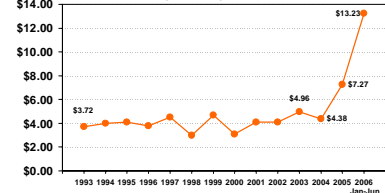
The Cost of Reinforcing Steel

(Statewide Weighted Average Price per Pound)



The Cost of Earthwork

(Statewide Weighted Average Price per Cubic Yard)



Further, the estimation process does not take into account fluctuations in market conditions, which may impact bid pricing. The amount of work available to contractors impacts the number of bid submissions as well as the competitiveness of the proposals.

We do agree however, that the Authority should better document its review and that the Procurement Department should provide the results of such a review with the Board agenda item with the recommendation to award the bid. This additional documentation will be reported beginning January 2008, once the Procurement Department is fully staffed.

13. Contracting Procedures for Renewals Should Be Revised

During our review of the internal controls surrounding the contract renewal process, we noted the following concerns:

- A) There are no written criteria or guidelines for the evaluation of performance of consultants and other contractors for renewal of contracts for the option years. The Authority usually (except as noted in this report) issues contracts for a set period with an option to renew for another set period. Consistent procedures to evaluate the performance of each contractor, including documentation of the review, should be used.
- B) The Authority allowed the Construction Management Contractor (CMC) to bill labor rates that were significantly greater than the rates specified in the original contract budget (even after adjusting them with the contract escalation clause included in each year of the contract). When the CMC contract was renewed effective July 14, 2006, the labor rates being billed at the time were used to price the renewal agreement. The increased rates resulted in the 2-year renewal being priced approximately \$370,000 more than it would have been if the rates in the original agreement's salary budget were carried forward with the four percent escalation clause contained in the renewal contract. When renewal prices are significantly impacted by increased labor

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rates, bids should be obtained to ensure the best services are obtained at the lowest price available.

We Recommend the Authority performs the following:

- A) Develops written criteria or guidelines for the evaluation of consultants and other contractors for renewal of contracts for the option years; and,
- B) Develops contracting procedures which will ensure that agreements for services that would be renewed for the option year with significantly increased labor rates are bid.

Management's Response:

- A) Concur.

The Procurement Department will develop criteria for the evaluation of consultants for renewals and option years by December 31, 2007.

- B) Concur.

14. Contract Language Should Be Improved

We noted the following from a review of a sample of contracts:

- A) Contracts did not always contain an audit clause allowing the Authority to audit the records of the contractor. In addition, when the clauses were used, they did not always contain adequate terms to protect the Authority's interest. Regarding these concerns we note the following:
 - There was no audit clause in CEI contracts, micro-contracts, some consulting contracts, purchase orders, and subcontracts with contractors and consultants.

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- Audit clauses when used, in most instances reviewed, did not contain language to: discourage over-billings, such as, recovery of audit costs in the event over-billings are disclosed by an audit; fixed time limit of refund of over-billings disclosed by the audit; access to employees; and, post approval contract price adjustments.

Without an adequate audit clause, the scope of an audit could be restricted and the Authority may not be able to recover overpayments promptly or recoup expenses incurred in conducting the audit. Good procurement practices require the inclusion of appropriate audit clauses in contracts.

- B) In addition, in eight of ten applicable contracts reviewed, there was no truth in negotiation language. Without this clause, there is no representation that the contractor covenants and warrants that wage rates and other factual unit costs supporting the compensation noted in the contract are accurate, complete, and current as of the date of contracting. Such a clause is needed for all professional services contracts.
- C) Construction contracts did not contain a value engineering (VE) clause. During and prior to the audit period; we noted that the Authority entered into numerous large construction contracts, some of which exceeded \$100 million. VE occurs when the value of materials and services are increased by either improving the function or reducing the cost of the materials. Thus VE can be achieved when substitute materials costing less are used to achieve the same purpose. We were informed that the Authority uses VE during the project development and design phases. However, this process should be continued during the construction phase with the involvement of the construction contractors. Generally accepted procurement practices require the inclusion of a VE clause in construction contracts. The clause should

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be incentive based and provide for the sharing of savings derived from cost saving ideas identified and used by the construction contractor. Without a VE clause, toll payers may not be getting the best overall value for the projects built by the Authority.

- D) There was no early termination clause in four of 23 contracts reviewed. An early termination clause gives the Authority the right to terminate the contract prior to the expiration of its term, states conditions for early termination, as well as the basis for the final payment.
- E) There was no average rate clause in the event of early termination in the two applicable contracts reviewed. An average rate clause is needed where contracts are based upon one average rate for the entire contract period rather than on rates computed annually for multi-year contracts. For example, in the case of contract No. 99, the rate of pay was stated as \$72,000 annually per road mile or \$917,280 per year for a section of the road for road maintenance services for a period of five years. The rate for the other section was \$70,000 per road mile annually for a total contract of \$7.2 million over five years. Invoices are being paid at a fixed amount each month for the five year period. Since this rate of pay is an average rate over the five-years, the contractor is being overpaid during the first two and a half years with the overpayments being recovered during the final two and a half years. Using an incremental increase (Consumer Price Index) of 3 percent for each year, the annual payment stream for the total contract of \$7.2 million over five years would be as follows:

Description	Year 1	Year 2	Year 3	Year 4	Year 5	Total Payment
Payment stream based upon 3% CPI	*\$1,354	1,397	1,440	1,483	1,526	7,200
Current pay stream	1,440	1,440	1,440	1,440	1,440	7,200
Over/(under)	86	43	0	(43)	(86)	0

* = In thousands

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If this contract were to be terminated at any time during the first two-and-a-half-years, there would be a need to recover overpaid funds to the contractor. Termination after the first year would result in the need to recover \$86,000 and after the second year \$129,000.

- F) A review of a sample of four contracts between prime contractors working for the Authority and their subcontractors revealed that in all instances the subcontract language was minimal and did not contain key elements needed in a contract. Generally accepted procurement practices require that subcontracts contain adequate language that ensures the owner's rights are protected and flow down to all the firms working on a project. For example, Section 3.10 of the Design Engineer's standard contract with the Authority states, "the Authority reserves and is granted the right...to review, audit, copy, examine and investigate in any manner, any Contract Records... or Bid Records...of the Contractor or any subcontractor. By submitting a bid, the Contractor or any first or second tier subcontractor submits to and agrees to comply with provisions of this article." In addition, Exhibit B, Sec. 18.2 (IV) of contract No. 154 states that the contractor shall be entitled to enter into subcontracts provided that all subcontracts "shall include the same or similar terms as are in this contract with respect to subcontractors providing the Authority with equal or greater protections than herein." Significant scopes of work are generally performed by subcontractors in all aspects of the Authority's operations. For example, the subcontracts reviewed in our sample for design engineering and construction included scopes of work valuing \$1.6 million and \$4.9 million respectively.

Best practices require the use of appropriate and adequate contract language that protects the interest of the Authority.

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We Recommend the Authority ensures the following:

- A) Appropriate audit clauses are utilized;
- B) Truth in negotiation clauses are utilized in professional services contracts;
- C) Appropriate value engineering clauses are included in construction contracts;
- D) Appropriate early termination clauses are utilized in all contracts;
- E) Prices are computed on a per year basis for multiple year contracts or an average rate clause be utilized; and,
- F) Contractors and consultants use appropriate language that protects the interests of the Authority in their contacts with subcontractors.

Management's Response:

- A) Concur.

Our new general counsel will ensure a standard audit clause is included in new contracts, as appropriate.

The Authority's standard contracts have flow-down provisions that effectively bind the subcontractor to the same provisions as the prime contractor. The subcontracts reference the prime contract and therefore the provisions are valid.

- B) Concur.

Our new general counsel will ensure a standard truth in negotiation clause is included in all new contracts, as appropriate.

- C) Do not concur.

The Authority agrees that project cost savings and project improvements and effectiveness is a valid goal. We believe that the greatest advantage to value engineering occurs in the design phase and the Authority's value engineering program is quite effective.

To be effective and meaningful, value-engineering should begin as early as possible in the project development/design process so that any valid recommendations can be incorporated without delaying the progress of the project or causing significant rework of completed designs.

Through the use of highly qualified engineering consultant firms, the Authority utilizes value-engineering throughout the various phases of the plan/project production cycle. For a typical project, three different engineering firms will be utilized; one for project concept development, one for project development and environmental study, and one for final plans and production. As final plan production begins, the engineering firm is to perform a complete review of the project before any plan production can proceed. The purpose of this review effort is to incorporate any value engineering that will lead to project cost savings or improvements in project effectiveness. The plan production proceeds only after all the documented items are resolved. The value-engineering process is also utilized during plans production. The Authority requires the engineering firms to submit the plans at 30%, 60%, 90%, and 100% of completion for thorough review by the Authority's General Engineering Consultant (GEC). All review comments provided by the GEC must be addressed by the engineering design firm, at each phase, before proceeding with plans production.

Other value-engineering processes incorporated during the plans production phases are as follows:

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1. Bridge Development Reports (BDR) are required for all bridge structures. The BDR not only determine the length and width of the bridge structure, but the cost differential of various structural materials i.e.: steel versus concrete.
2. A constructability review is provided throughout the plans production duration. These reviews are required not only by the engineering firm doing the design but they are also reviewed by an independent construction and engineering inspection firm that will oversee the project during construction. The purpose of this effort is to eliminate potential claims by the construction contractor.
3. A right-of-way team is assigned to projects that ultimately will require the purchase of new right of way. The right of way team's input is incorporated throughout the life of the design phase. Roadway alignment shifts, retaining walls, drainage pond relocations and roadway profile adjustments are a few examples of value engineering incorporated to offset potentially costly right-of-way damages.

Value engineering is also utilized during construction. For example, on the 414-211 project, circumstances created an opportunity to direct pile changes. The pile driving commenced on the project with the Contractor encountering difficulties managing the work to drive pile through a pile rebound layer. The Contractor was able to overcome the rebound layer for the concrete pile by changes/adjustments made to the equipment. The experimentation conducted with the H-pile, revealed that the Contractor could achieve significantly higher bearing on each H-pile, than that anticipated by the design. During discussions to resolve the rebound issue, it became apparent to the Authority that an opportunity to modify the existing foundation design to utilize the increased bearing

capability of the H-piles would reduce the number of piles required.

This approach proved appropriate, after design review. The pier pile foundations were adjusted from 20 pile clusters to 14 pile clusters. The negotiated settlement of this change, without a value engineering contract provision, is anticipated to be equitable to both parties. The absence of VE provision did not affect the implementation of the change, but it does influence the settlement of the change (in favor of the Authority). The estimated savings as a result of the pile cluster change reduced construction costs by approximately \$1 million.

The Authority does not include value engineering language in the bid and contractor documents because to do so can adversely affect the safety and cost of the project. Allowance of contingent VE assumptions by the bidder can lead to contractor claims. The Authority cannot allow the contractor to cut corners in the name of value engineering to reduce costs that might compromise the safety of the road or bridge.

The Authority incorporates value engineering throughout the life of a project. Staff does not believe that value-engineering is effective when limited to one particular point in the life of the project. We strongly endorse cost effective practices throughout the life cycle from the concept stage through the project award phase for construction.

D) Concur.

The Authority agrees that all contracts should have an adequate termination clause. We will review the contracts and evaluate our ability to correct this issue. Going forward, as has been our practice, general counsel will ensure all new contracts have the appropriate early termination clauses.

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E) Concur.

F) Concur.

Auditor's Comment:

- C) While we note the Authority reported that it saved money on the one project during the construction, this savings was only identified as a result of a problem encountered during construction. The inclusion of a VE clause in the construction contract allows an entity to achieve additional savings not anticipated through the design phase. VE clauses provide an incentive for the construction contractor to identify and recommend VE to the Authority. The Authority ultimately would retain the right to accept or reject any suggested change. Because of this right, we do not anticipate that the Authority would approve a VE change that might "cut corners in the name of value engineering to reduce cost that might compromise the safety of the road or bridge."

15. Additional GEC Contract Invoices Should Be Reviewed

During our review of certified payroll data obtained from the GEC, we found that the salary cost charged to the Authority exceeded the amount the GEC paid to an employee. This resulted in additional estimated GEC charges (as no salary cost had been paid) of \$6,000 for the six-month period reviewed. The supplemental agreement between the Authority and the GEC states, "The Authority agrees to compensate...[the GEC]...by using actual salaries of all those persons engaged directly in the performance of such services..." The additional amount billed to the Authority for hours in excess of those paid to the employee should not be considered "salaries." The Authority should only reimburse actual salary cost plus the overhead and profit multiplier to the GEC.

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We Recommend the Authority review additional GEC projects and periods to determine if any additional billing errors occurred.

Management's Response:

Concur.

The GEC billed the Authority in accordance with the contract. Although many GEC employees are exempt from federal overtime (1.5 times actual over 40 hours), our contract requires that we compensate for hours worked. The GEC then compensates their exempt employees for actual hours worked at the straight time rate. We agree that there was one GEC employee who was not compensated for overtime hours earned. This occurred when the GEC was transitioning from a semimonthly to biweekly pay period. This situation was subsequently corrected when identified.

As part of its routine review of selected invoices, the Authority reviewed a sample of payroll records from the GEC and did not find any instances where employees were not compensated for hours worked.

16. Adequate Procedures to Ensure Compliance with Contract Provisions Should Be Developed

Sufficient follow-up of contract provisions is not always performed. Regarding this concern, we noted the following:

- A) The Authority did not adequately ensure that the section (design) engineers complied with contract provisions for the submission of cost estimates. During our review, we noted that the Authority did not have eight of the fifteen submittals required for the projects reviewed. In particular, for one project, no cost submittals were received from the section engineer. The contract (Project No. 252B) only required two cost submittals and the required two were not on-hand.

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We were informed that the Authority had instructed the section engineers not to prepare the estimates because of the volatile pricing being encountered in the industry. However, no documentation of this was provided. In addition, in four of the seven submittals that were subsequently located, there was insufficient documentation to determine either what project the documents related to, what percentage completion the estimate was for, or what company prepared them since no company letterhead was used. The Authority formally delegated the follow-up and receipt of submittals to the GEC in the section engineers' contract. In addition, Sec. 7 of the section engineers' contracts states, "All final plans, documents, reports, studies and other data prepared by the SECTION ENGINEER will bear the endorsement of a person in the full employ of the SECTION ENGINEER and duly registered by the State of Florida in the appropriate professional category." Consequently, it appears the Authority contracted and paid for design services that were not performed.

- B) We noted non-compliance with certain provisions of contract No. 154 for toll collection services. This contract has been in effect since February 1995 and was re-bid ten years after, and renewed for \$84 million. These non-compliance concerns are as follows:
- Exhibit B, Section 4 states, "Contractor shall submit on an annual basis the current audited financial report, statements, and any associated notes for the term of the contract." However, based on our review of the files and inquiry, Authority staff have not received or requested these financial statements.

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- Exhibit B, Section 2 states, "The contract shall be subject to an annual review by the Authority." However, there was no documented information to show that this was done.
 - Exhibit A, Section 2.2 requires the establishment of a "Performance Evaluation Committee" to review the performance of the contractor and to develop and implement cost savings ideas and quality performance standards. However, the committee was not established.
- C) There was no written evidence that, as required by the contract (No. 266), annual reviews were being performed, written quality assurance procedures were provided, quality assurance reviews were being performed and weekly and monthly performance reports were being provided to the Authority. In addition, there appears to be no mechanism in place to ensure contractor compliance with these provisions. According to staff, the Florida State Department of Transportation administers these provisions of the contract. However, the contract does not specify this and when requested, no documentation was provided at that time to show contractor compliance or contract supervision.

Without adequate follow-up and annual reviews, contracts could be renewed for under-performing contractors and potential cost saving measures not implemented.

We Recommend the Authority establishes an adequate mechanism to ensure consultant and contractor compliance with contract provisions. In addition, adequate documentation should be retained to show such compliance as well as the performance of annual and other required contract reviews.

Management's Response:

Concur.

For certain projects, the Deputy Executive Director/Director of Engineering directed Section Engineers to forego the submittal of cost estimates because of the volatile nature of construction costs at that time. Receiving the estimates at those particular times would have had little value since they would have been obsolete upon receipt. The auditors should not conclude from this, however, that this means the Authority paid for services that were not received; quite the contrary. These decisions were made in an effort to save money. Since Section Engineers are paid by the hour for service rendered, the Authority did not pay for estimates that would have had little value to the toll-payer.

With respect to the annual financial statements, they have been obtained and are now on file. While the annual performance review processes are undertaken on a regular, but informal basis, the Authority will establish a more formal review process and ensure the process and results are properly documented.

The Authority will establish a process for the review of the overhead sign inspection contract.

17. The Maintenance Management Consultant's Contract Should Be Appropriately Priced

The new contract for Maintenance Management Consulting (MMC) services executed by the Authority on December 18, 2006, appears overpriced. Specifically we noted the following:

- A) The contract amount is not accurately stated based on the supporting exhibits. The total limiting amount stated in section 2.0 entitled "Amount of Compensation" of the Method of Compensation portion of the contract is \$1.9 million for the first three years. However, the schedules of compensation

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included with the contract add up to a maximum amount of \$1,857,540, a difference of \$42,460. In order to prevent unnecessary expenditures, the total contract price should be justified by supporting schedules.

- B) The cost proposal schedules included with the contract do not contain any details as to how the lump sum amounts for office expenses were derived. The monthly allowance for direct expenses relative to office supplies appears excessive based on the tasks outlined in the scope of services. For example, only one employee is identified to provide fiber optic network locate services and the office supply allowance for this task is \$16,102 or \$447 per month. For the remaining MMC services approximately 3.75 employees are identified and the office supply allowance is \$48,308 or \$358 per month for each employee. Allowances for direct expenses should be adequately detailed to justify how amounts were derived. Also, amounts should be reasonable based on tasks described in the scope of services.
- C) The contract specifies that during the initial contract term the Authority will provide and maintain a maximum of four (4) vehicles for the use of the MMC. However, the contract does not contain a clause as to how the vehicles will be handled at the end of the contract term (i.e., credit to the Authority for the remaining blue book value of the vehicles). The Authority will spend over \$212,000 for the purchase and operation of these vehicles over a three year period. Contract documents should clearly define how provided assets will be handled at contract termination.

We Recommend the Authority establishes adequate contracting procedures to ensure the following:

- A) Contract amounts are accurately stated as justified by supporting schedules;

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- B) Allowances for direct expenses are adequately detailed and reasonable based on tasks to be performed; and,
- C) Contract language clearly delineates the disposition of Authority provided assets at contract termination.

Management's Response:

- A) Concur.

The contract in question has been corrected to reflect the exact amount reflected in the Method of Compensation.

- B) Concur.
- C) Concur.

18. Contract Closeout Procedures Should Be Improved

We reviewed the contract closeout procedures for the previous MMC contract that was terminated on June 30, 2006, for the handling of the vehicles that were provided under that contract. We noted the following relative to the vehicles purchased:

- A) The original contract dated June 3, 2002, only allowed for the purchase of three vehicles. However, throughout the two-year term of the original contract five vehicles were purchased. The invoice for one of the unauthorized vehicles did not contain any supporting documents showing the vehicle was actually purchased (i.e., sales contract).
- B) An additional vehicle was authorized under the second one-year renewal agreement which was effective July 1, 2005. However, the vehicle was purchased on June 28, 2005, and partially billed to

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the Authority on invoice no. 12 for period ending June 30, 2005.

- C) It also does not appear as if the Authority obtained credits it was entitled to for three of the six vehicles purchased when the contract was cancelled effective June 30, 2006, with one option year remaining.

Goods purchased by consultants/contractors and charged to the Authority should be approved in writing prior to purchase. Further, reimbursement requests should be adequately supported with a description of the items acquired and actual costs. The Authority is entitled to the return of the vehicles or a credit for their blue book value.

We Recommend the Authority develops procedures to ensure the following:

- A) Goods purchased by consultants/contractors and charged to the Authority are approved in writing prior to purchase. Further, ensure reimbursement requests for such items are adequately supported with a description of the items acquired and actual costs; and,
- B) Contract close-out procedures include ensuring all available credits are realized.

Management's Response:

Concur.

Procedures are being prepared by the Procurement Director to address the contract purchase of assets with a life cycle greater than one year, to ensure that the Authority receives the maximum value for long term assets required to execute a project. The related procedures will be complete by December 31, 2007. All active contracts with this type of purchasing provision will be revised to adhere with the new procedure.

**19. Controls Over the Purchase Order Process
Should Be Improved**

During our review, we noted instances where purchase order procedures were not adequate. Examples are as follows:

- A) We noted nine of 22 purchase orders reviewed were not authorized by the appropriate level of staff. The Authority's Purchasing Procedures state that the purchase of goods/services that are valued at \$500 or more must be approved by a Director. The purchase orders noted were all approved by the Manager of Toll Operations and range from \$1,400 to over \$17,000. Procedures should be in place to ensure purchase orders are approved by authorized personnel.
- B) Five of the 22 purchase orders reviewed (ranging from \$75 to \$172,037) were prepared and/or approved after goods/services were ordered. This is evidenced by invoices dated prior to purchase order issuance and/or approval dates. The practice of ordering goods/services before purchase orders are issued and approved negates the control a purchase order system is intended to provide.
- C) The Authority does not use the purchase requisition function of the purchasing module in their computerized financial system or a standard purchase requisition form to initiate purchases. Instead, emails and memos are used for this process. The purchasing module or a standard purchase requisition form is more effective in recording material/service specifications, general ledger account numbers, approvals, and other details. In addition, the authorized standard purchase requisition form provides the authority to charge a specified account number and verification that there are sufficient funds available in the specified account.
- D) The Authority does not obtain evidence that the prices extended to them by vendors under contract with the

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State are equal to or less than the prices afforded to the vendor under the State contract. Purchases are usually made from these vendors solely on the fact that they are State vendors without any comparison of the prices quoted to the Authority with the prices offered on the State contract. As a result, the Authority could be paying more for goods and services than is necessary. When purchasing goods/services from a vendor with a State contract it is prudent to ensure that the prices extended do not exceed the State contract prices.

We Recommend the Authority ensures following:

- A) Purchase orders are approved by authorized personnel;
- B) Purchase orders are issued and approved before goods/services are ordered;
- C) A standard purchase requisition form or the requisition function in the computerized purchasing module is utilized; and,
- D) Prices extended to the Authority by vendors under contract with the State do not exceed the prices afforded under their State contract.

Management's Response:

Concur.

Purchase Requisition forms and procedures have been developed and implemented requiring the appropriate signatures prior to any purchases being made. Pre-numbered Purchase Requisition forms have been printed and issued to each Department, and mandatory training classes were conducted by the Procurement Director. Procurement training also addressed the use of piggy-back contracts (to include state contracts) describing the proper condition and methods for utilizing the contracts of other governmental agencies. Follow-up training materials are

available for distribution in the Procurement Department upon request.

20. The Purchasing Card Operations Should Be Improved

We noted the following relative to the Authority's purchasing card (P-Card) Program:

- A) The Authority had not adopted a P-Card Policy. Also, no formal training or written guidelines are provided to cardholders. These are vital controls that are needed in a P-Card program to minimize fraud and abuse.
- B) We were informed of instances in which Authority staff provided their P-Card to a non-cardholder to make purchases on their behalf. For accountability, use of individual P-Cards should be limited to the cardholders only.
- C) The master P-Card statement was approved for payment after the automatic payment occurred and was sent to the vendor. Payment for any goods and services should only be made after appropriate authorization.
- D) No supervisory approval is obtained on individual P-Card statements. Supervisory review of individual P-Card statements is a needed control to ensure compliance with policy and procedures.
- E) Sales tax was paid on P-Card purchases. We reviewed two cardholder statements for one billing period and found sales tax was included in the transaction amounts. P-Card holders should use the Authority's sales tax exempt status on purchases.
- F) The P-Card Administrator (who conducts the only review of her own as well as the master statement) has a P-Card. The P-Card Administrator should not be authorized to obtain a P-Card since this presents

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inadequate segregation of the administration, reconciliation, and purchase functions.

The operation of a P-Card program invariably creates additional risks (not normally experienced in a traditional procurement system). These are usually mitigated by controls such as written policies and procedures, adequate training, purchasing limits, daily and monthly purchasing dollar limits, segregation of the administration and purchase functions, adequate receipts for purchases, and independent review of P-card statements and support. Without these controls, P-Cards could be used inappropriately and potentially could result in misappropriation of the Authority's assets.

We Recommend the Authority performs the following:

- A) Implements written policy and procedures for the operation of the P-Card program and provides adequate training to P-Card users;
- B) Restricts the use of P-Cards to only the individual assigned the P-Card;
- C) Reviews and approves the P-Card master statement prior to the date of payment;
- D) Ensures all individual P-Card statements are reviewed by a supervisor;
- E) Implements procedures to prevent and detect the payment of sales taxes on purchases; and,
- F) Ensures the P-Card Administrator is not assigned or authorized to use a P-card.

Management's Response:

- A) Concur.

The P-Card policy was incorporated in the procurement policy adopted in April 2007.

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Procurement staff are providing training on procurement policies and procedures, including the P-Card.

B) Concur.

The Procurement Policy adopted by the Board on April 26, 2007 prohibits this practice.

C) Do not concur.

In order to get the rebate on the P-Card transaction, the payment is automatically debited from the account. In any case where a transaction is not approved, a hold will be placed on the disputed charge until it is resolved.

D) Concur.

Supervisory approval is now required.

E) Concur.

P-Card users are issued sales tax exemption certificates in procurement training classes developed and conducted by the Authority's Procurement Director. Authority employees will continue to be reminded that sales tax should not be paid through follow up procurement training sessions.

F) Concur.

The Procurement Department will transition the responsibilities of the P-Card Administrator to a non-card holder once the Department is fully staffed (by the end of this calendar year).

21. The Business Development Department Micro-Contracting Procedures Should Be Reviewed

During our review of the micro-contracts program we noted the following:

- A) The award of micro-contracts and subsequent disbursements are not ratified by the Authority Board. During the audit period, we were informed that micro-contracts are placed in the statistical section, and not the consent agenda, of the Board agenda package. This section is only reviewed by the Board and no action is required. The Board approved micro-contracts policy states, "All Micro-Contracts awarded and all payments disbursed will be placed on the monthly Consent Agenda for the Authority Board ratification." According to staff, an administrative decision was made to place the micro-contracts with other reports found in the monthly statistical section.
- B) The language used in the standard micro-contracts invitation for bid (IFB) document is not adequate. For instance, the following items are not addressed in the bid documents:
- Right of Refusal;
 - Mistakes;
 - Conflict of Interest;
 - Disputes;
 - Protests procedures; and,
 - Liability Indemnification.

Generally accepted procurement practices require appropriate language for IFBs. Language for the standard section of the IFB should be consistent with other IFBs used by the organization.

- C) The award of MCP No. 135 appears to have been front-end loaded. Mobilization of \$7,575 represented 30 percent of the total bid of \$25,500. The project designer estimated mobilization of \$862 or 4 percent of the total cost estimate of \$19,875. In addition, a

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payment of \$13,075 representing 51 percent of the contract amount of \$25,500 was made on the date (January 12, 2007) the project was scheduled to start. The payment of \$13,075 was not in accordance with the line items on the schedule of values. The approval and payment prior to work being performed circumvents procurement and payment controls.

D) Contract MCP No. 093 for \$163,251 awarded on June 28, 2005, did not appear to be issued through fair and open competition. In addition, the scope of services does not appear to meet the criteria for procurement under the micro-contracts program. Specifically, we noted the following:

- The notice to potential bidders was sent on June 13, 2005, a scope of services meeting was held two days after, and the proposal due date was set at June 22, 2005 at 10:00 AM. One potential bidder notified the Authority in writing that they were "very interested in the contract" but "was unable to complete the computation process ... to ensure proper bidding," because "the time element for a proposal of this extent was too short." Considering the complexity of this scope of services, limiting the bid solicitation process to nine calendar or seven working days appeared to have been too restrictive. There was no supporting information to indicate why the time was so short.
- The Bid Solicitation Notice required the bidders to complete a pricing summary schedule for individual years for a three year period with a "total price for the three year period." The vendor that was awarded the contract completed the required pricing schedule showing amounts for the individual years, and a total price of \$533,296 for the three-year period. However, the contract was drawn up for \$163,251 (the first year's total) with renewal

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options. On August 1, 2006, the contract was renewed for another year at the second year's pricing of \$172,600. Including this scope of services under the micro-contracts program appears to violate the intent of the micro-contracts policy since there appeared to be no incidental contract activities to which this contract is related and the award amount is in excess of \$200,000, which is also a requirement of the program.

As a result, only one bid was received and the award was made to this bidder. Thus, the Authority may not be receiving the best quality services for the prices being paid.

- E) There is no written evidence on the micro-contract application that it was reviewed and approved. According to Authority staff once an application is reviewed and approved, a letter is sent to the applicant, indicating that the application has been approved and serves as written evidence of approval. Best practices require notation of the approval on the application form.

We Recommend the Authority performs the following:

- A) Consistently applies contracting procedures for micro-contracts in accordance with generally accepted purchasing procedures. In addition, Contract MCP No. 093 should be terminated and re-bid in accordance with Authority Policy.
- B) Revises the micro-contract application form to include notation of approval or rejection with appropriate analysis performed.

Management's Response:

- A) Concur.

The Authority hired a procurement expert on July 9, 2007 to implement the centralized Procurement Policy adopted by the Board on April 26, 2007. Moving forward, all contracts will include right-of-refusal, mistakes, conflict of interest, disputes, protests procedures and liability indemnification language, where appropriate.

Projects found to be appropriate for the micro-contract program will be subject to the same purchasing thresholds, contract conditions and procurement procedures as any other procurement. The new purchasing thresholds as approved by the Board on August 23, 2007 apply to both regular and micro-contracts procurement items. In the spirit of the micro-contract program, every effort will be made to utilize the micro vendors to the greatest extent possible.

After review of all current contracts, including those with significant changes in scope or terms, if it is found to be in the best interest of the Authority, contracts may be terminated and re-bid as appropriate- including contract MCP 093.

B) Concur.

This was accomplished in August 2007.

Recommendations for Improvement – Invoice and Payment Review Processes

22. The Authority Should Ensure Outside Consultants Provide Adequate Documentation Services Were Performed

As noted elsewhere in this report, the Authority entered into several agreements with a consulting team (Team) to provide an organizational improvement process exercise to the Authority. This exercise consisted of five separate

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proposals from a two person consultant team, totaling approximately \$573,000 to improve organizational efficiency and morale. Each consultant billed \$2,400 per day for services (\$4,800 for both). Our review of the accompanying invoices associated with these proposals found that there was inadequate support submitted with the request for payment to verify those services that were billed as conducted on-site.

This lack of adequate documentation made it appear as though the Team was not present on the day billed; or in other instances, the same task appeared to have been billed twice. In addition, we noted that the Team billed for \$57,600 (24 days at the rate of \$2,400 per day) for a task labeled as "telephone coaching." No information to substantiate the activities performed for telephone coaching was provided with the invoice for payment.

As part of our testing, we reviewed the Team's invoices for each day billed in order to distinguish between those services that were billed as on-site from services such as design, development, preparation etc., that are typically not accomplished on-site. To perform this, we used the supporting documents included with the paid invoices to determine when there were travel records to substantiate that the consultants were on-site. We compared the travel documents with our interpretation of the supporting description on the invoices and proposals detailing the task to be performed on the Authority's premises (on-site) or off-site. In total, we were able to substantiate 100.5 of the 142.5 days billed as on-site activities with travel records that were available at the Authority's office which had been submitted with the invoices. This left a 42 day difference totaling \$100,800 (42 consultant days times the daily rate of \$2,400 per consultant)

As such, we requested the Authority to review their records to substantiate days billed by the Team. The Authority then contacted the Team who, in turn, contacted us. The Team reviewed their records and provided us an analysis of their records substantiating 108 days of travel. The Team reported that the remaining days we noted as on-site (the

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difference between 108 and 142.5 days we noted above) should have been more clearly billed as either design, the development of manuals and surveys, handouts, power point presentations for training, survey analysis and planning; all of which were developed in the Team's own facilities. The Team indicated that all of these deliverables are available for review at the Authority. We have confirmed the existence of certain deliverables.

The Team stated that daily calendar records were available to substantiate those services provided both on-site and in their own offices. In addition, they stated that calendar records with phone logs (with modifications to protect the privacy of people who were coached) were also available to substantiate the telephone coaching charges.

We did not attempt to reconcile the differences to the Team's in-house records as this was outside the scope of our testing.

An in-depth review should be conducted by the Authority to determine if the services paid for were received. If the Authority is unable to substantiate the days billed, further action deemed appropriate should be taken.

We Recommend the Authority performs the following:

- A) Continues to review the Team's billings to determine if further action is required, including reimbursing any unsupported charges; and,
- B) Ensures outside consultants provide adequate evidence that assigned duties are performed.

Management's Response:

- A) Concur.

The Executive Director has asked the Audit Committee to direct a thorough and complete audit of this contract and associated invoices. Further, the Executive Director recommends taking whatever

action deemed appropriate by the Internal Auditor and the Audit Committee to ensure contract compliance.

The Authority requested that the Team compile their records for our audit evaluation. The Team continues to assemble and provide additional backup for invoices over the contract period.

The Team is an organizational development consulting firm that provides executive and employee coaching, teambuilding, intellectual value stream analysis, training, and coaching in lean individual processes and 360° feedback.

The Team has a large client list in the public and private sector. Some of their clients include the Gillette Company, Department of Health & Human Services, Frigidaire, South Florida Water Management District, Department of Justice, Washington Metro Area Transit Authority, Federal Quality Institute, U.S. Environmental Protection Agency, USAID, FEMA, Department of Energy, Department of Defense, Baltimore-Washington International Airport, Mack Trucks, Inc., Greater Cleveland Regional Transit Authority, World Bank, U.S. Department of State, and the Social Security Administration.

B) Concur.

The Procurement Office is preparing contract management and invoice review and processing procedures that address the concerns described. The procedures will be complete and in place by December 15, 2007.

23. Invoices from the GEC Should Be Adequately Reviewed Prior to Authorization and Payment

The invoices received from the GEC are not reviewed in detail by Authority staff. Based on our review of a block

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sample of six monthly invoices, we found that the 250 plus page package of invoices are typically approved for payment within one business day of receipt. Monthly invoices reviewed for dates of service between April 2006 and September 2006 ranged from \$672,000 to \$944,000 with a combined total of \$4.5 million. Additional specific concerns are noted as follows:

- A) The amount billed for three of the invoices did not agree to the supporting schedules as noted below:

Invoice Period	Amount Billed	Supported Amount	Amount Over/Under Billed
Apr-06	\$689,129	\$672,580	\$ 16,549
May-06	\$709,751	\$712,401	\$ (2,650)
Jun-06	\$672,932	\$686,123	\$ (13,191)

According to Authority staff the GEC corrected these invoices when the GEC detected the problem during their internal review several months later. While this amount may be considered small, our concern is that the Authority did not have adequate controls in place to detect the error before payment was made.

Invoice detail should be carefully reviewed. This should include ensuring all amounts billed agree to supporting documentation and the verification of totals by footing and cross-footing invoices and schedules.

- B) Direct expenses totaling \$14,400 were included in the billings for the six-month period. However, of this amount, \$8,600 was not supported with any documentation and the justification of another \$2,100 was not adequately documented. These include charges for local car rentals and local hotel stays for out-of-town GEC employees. An adequate review of the billings would have addressed these charges which should not have been paid as presented. The contract with the GEC allows reimbursement of all reasonable out-of-pocket expenses, directly chargeable to a project, at actual cost. Without adequate documentation, the Authority is not able to

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determine whether direct expenses are valid and reasonable.

We Recommend the Authority ensures invoices received from the GEC are adequately supported and reviewed prior to authorization and payment.

Management's Response:

Concur.

The Authority agrees that the review of its GEC invoices should be more rigorously documented, it should be noted that the three invoices listed in the finding are really the result of a single error and the two corresponding corrections of that error.

The Authority intends to incorporate lump sum expenses into the contract currently being developed with the GEC. This past summer, the Authority undertook its own review of the GEC contract as part of its routine contracts review process. We found that, when requested, the GEC was able to provide documentation of all direct charges sampled.

24. Services Should Not Be Performed Prior to Authority Board Authorization and Execution of a Written Agreement

During our review, we noted several instances where services were performed by contractors without the required approval being obtained prior to the commencement of work or execution of a contract. These instances are as follows:

- A) As noted elsewhere in this report, the Authority entered into several agreements with a consulting team to improve organizational efficiency and morale of Authority staff. This exercise consisted of five separate proposals, totaling approximately \$583,000. Although each of these proposals was presented to and approved by the Board, no written contract establishing rights and responsibilities of the parties

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involved was prepared. Written contracts should be prepared for services received in excess of a set dollar amount. We also noted that work was allowed to start on the original and each of the four subsequent proposals (averaging over \$125,000 each) before Board approval was obtained.

- B) We noted the GEC performed work on four projects prior to the authorization of the Authority Board and the execution of appropriate supplemental agreements. For example, the Authority paid \$24,000 for work performed on Supplemental Agreement No. FY00-27C as of September 30, 2006; however, it was not executed until September 28, 2006.
- C) We also noted the GEC billed for subcontractors that were not authorized by supplemental agreements, and therefore not approved by the Authority to work on these projects. Standard contracting procedures require that all subcontractors be approved by the contracting agency.

Invoice review should ensure hours billed on a project are for approved periods and work on a task should not be allowed until Board approval is obtained. In the event the work is of an emergency nature and has to be performed pending Board approval, such circumstances should be adequately documented and disclosed to the Board when approval is requested. In addition all agreements should be formalized in a signed contract.

We Recommend the Authority ensures the following:

- A) Written contracts be utilized for purchases of services in excess of an established dollar limit; and,
- B) Work is not performed prior to Board authorization. In the event the work is of an emergency nature and has to be performed prior to Board approval, such circumstances should be adequately documented and disclosed to the Board when approval is requested.

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- C) All subcontractors used by contractors be approved by the Authority

Management's Response:

- A) Concur.

- B) Concur.

The Authority's new Procurement Policy requires Board authorized contracts for all services over \$50,000. Although there have been situations where work needed to begin for logistical or practical reasons prior to Board authorization, the GEC and the management consultant were explicitly informed and acknowledged that the work was done at their own risk. This practice however, has been discontinued under the new Procurement Policy except in the case of a documented emergency situation.

- C) Partially concur.

Section VI. F. of the Authority's Procurement Policy requires undisclosed subcontracts, standing alone or in aggregate, equal to or exceeding \$25,000 be approved by the Board. In cases of emergency, the subcontract may be executed and subsequently approved by the Board at the next Board meeting. Subcontracts not approved by the Board in accordance with this policy will be automatically terminated.

25. The Review Process and Contract Structure for Invoices Submitted by Section Engineers Should Be Improved

The Authority is relying on the GEC to review invoices for services provided by various design engineer firms (section engineers); however, it is not evident that the GEC is actually reviewing all invoices. According to the GEC, the Authority has not tasked them to review invoices from all

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design engineers. Also, some of the section engineers' invoices reviewed contained no notation (i.e., cc: or transmittal letter) indicating the GEC was provided a copy for review. We noted the following relative to a sample of section engineers invoices reviewed:

- Retainage was not withheld from payments for two of six design contracts reviewed as required by Section 4.15, Exhibit B of the contracts (No. 207 and 298 for \$1.5 million and \$5.1 million, respectively). Should a contractor not complete a project, retainage provides an immediate source of funds for the owner to use to cure the performance default, particularly if it occurs at the latter stages of the project.
- Invoices submitted by section engineers did not contain enough data for the Authority or the GEC to ensure compliance (or reasonableness) with contractual terms and conditions. For the five firms reviewed, we noted that the invoices did not list the positions/titles of the employees charging time to the project. We also noted that the invoice reviewed for one section engineering firm (No. 245) did not specify the rates of pay. Each of the contracts limiting amount was priced using specified rates by position, although there was no provision in the contract that required the section engineers to adhere to these positions and rates. Upon obtaining position data from the various firms, we noted that many of the positions contained on the invoices were not included in the contract document as part of the limiting amount. The cost billed by the five firms for the positions not included in the original contract budget was \$291,495 for a one month period.

For one section engineer contract, we compared the rates in the original contract budget by employee. The original contract entered into in April 2005 included employee names, titles, and rates of pay. Our comparisons of the rates billed to the Authority for the month ending September 29, 2006, noted the following:

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Invoiced Rate by Employee	Rate Per Contract Budget by Employee	Weighted Escalated Rate by Position	Difference from Employee Contract Rate and Invoice Rate	Difference Between Weighted Escalated Rate by Position and Invoice Rate
\$25.00	\$21.15	\$22.39	\$3.85	\$2.61
25.48	21.37	22.39	4.11	3.09
28.85	21.64	22.39	7.21	6.46
30.05	27.44	33.70	2.61	(3.65)
32.93	28.86	33.70	4.07	(.77)
43.27	33.39	33.70	9.88	9.57
44.23	34.85	33.70	9.38	10.53
52.40	40.55	46.98	11.85	5.42
66.11	46.73	46.98	19.38	19.13
57.45	47.50	65.44	9.95	(7.99)
53.89	48.19	55.11	5.70	(1.22)
85.95	\$75.77	65.44	10.18	20.51

The impact of the higher rates was \$15,000 considering actual rates and \$5,500 considering the escalated weighted rates (including overhead and profit) for the one month reviewed.

The contracts do not require the Section Engineers to bill the rates specified in the contract. However, steps should be taken by the Authority to ensure the rates can be verified for reasonableness. In addition, best practices for contracting requires contractors to adhere to rates proposed in the contract (considering appropriate escalators).

We Recommend the Authority ensures the following:

- A) Retainage is withheld as specified in contract documents; and,
- B) Section Engineers list positions billed and hourly rates of pay on invoices. In addition, the rates of pay and positions should be compared to the original contract for reasonableness. Further, consideration should be given to restructure the contracts to require rates used to determine the contract limiting amount are

adhered to unless specific approval is given by the Authority.

Management's Response:

A) Concur.

Retainage should be withheld in accordance with contract provisions. The Authority is conducting an audit of the two contracts identified to determine why this condition occurred.

B) Concur.

The Authority agrees that more information on the contractors' invoices would improve the review process. The structure and pay rate provisions of contracts are being reviewed by the Procurement Department to ensure that invoiced actual hourly rates are reasonable.

The GEC was performing a review of invoices. However, they had not been tasked with providing a written record of the invoice review. The GEC performed invoice reviews and notified the Deputy Executive Director of Engineering when anomalies were detected.

As pointed out by the audit item, the contract calls for reimbursement of actual costs and therefore, the Authority is contractually obligated to pay actual salaries up to the limiting amount. If the employer increases salaries during the course of the contract, it is incumbent on him to complete the job within the limiting amount.

It should be noted that the \$15,000 referenced in the auditors finding is a comparison of salaries at the beginning of the contract (April 2005) to those some 17 months later. In that time period, normal cost of living adjustments should be expected and actually, were contemplated in the calculation of the limiting

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amount on this contract. Additionally, as in any organization, one would some expect exceptional wage increases based on professional accomplishments, promotions, etc.

To alleviate future confusion, Exhibit 'C' shall clearly state that the rates represented are average rates for each of the generalized positions. Additionally, the Authority will evaluate other options for structuring similar contracts.

Auditor's Comment:

- B) According to a written response received from the GEC, the GEC was only tasked to perform a cursory review on invoices received for the majority of design engineer projects for which the GEC was providing oversight. Also, as noted in our narrative, invoices did not contain enough data for the GEC to conduct a sufficient review.

26. Invoices Should Be Approved at the Appropriate Levels

Authority staff does not consistently ensure invoices are approved by the appropriate level of personnel. Specifically we noted the following:

- A) The Director/Manager responsible for the work performed and billed by consultants/contractors does not always sign the invoice showing acceptance of work performed and amounts invoiced. For example, work billed by the GEC in the Intelligent Transportation System and Maintenance areas is not reviewed by the Managers of those areas before the invoice is approved for payment by the Deputy Executive Director of Engineering and Operations. Although the Deputy Executive Director was responsible for supervising the managers and directors for these areas of the operation, the managers/directors directly responsible for work

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performed should also review and sign the invoice as a means for acknowledging the services were received.

- B) For several invoices reviewed, the only signatory approval was by a staff member that was not authorized to approve invoices under the Board adopted Invoice Approval Policy. The policy states that invoices \$25,000 and under shall be approved by the appropriate Department Director and invoices over \$25,000 shall be approved by the Executive Director or Deputy Executive Director. This occurred because staff changed the procedure without informing the Board. In July 2006, the Deputy Executive Director of Engineering and Operations wrote a memo to the accounting area changing the Board adopted invoice approval policy to allow managers under his direction to approve invoices under \$25,000. The policy change was not submitted to the Board for review and adoption.

Invoices should be reviewed and approved by appropriately designated personnel per Board approved policy. In addition, changes to Board approved policies should be submitted to the Board for review and adoption.

We Recommend procedures be established to ensure the following:

- A) Invoices are reviewed by Authority staff that have knowledge of the work performed and approved in accordance with Board policy; and,
- B) Changes to Board approved policies are submitted to the Board for review and adoption.

Management's Response:

- A) Concur.

The Procurement Office is currently preparing contract management, invoice review and processing

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procedures that address the concerns described. One issue currently being addressed is the development of a cover sheet to accompany all invoices with proper routing and signatures authorities outlined. The cover sheet will also indicate whether all items were received or not, and will have the appropriate initial or signature to certify the receipt. The procedures will be complete and in place by December 15, 2007.

The Procurement Office will begin conducting continuous informational sessions with all staff overseeing contracts to ensure that contract responsibilities are clearly understood and expectations are clearly identified and met.

B) Concur.

27. Other Invoice Processing Procedures Should Be Improved

During our review of the invoice processing procedures, we noted the following:

- A) We noted several instances where invoices were paid without documentation to support the actual receipt and acceptance of the items invoiced. Although the invoices were approved for payment, there is no evidence with the invoice that items were received and were in an acceptable condition. Also there is no signed certification from the contractor/consultant that work was performed. Good internal controls require adequate documentation to evidence receipt of goods and services prior to payment. Invoices ranged from \$15,000 to \$1,500,000 based upon the sample reviewed.
- B) The Authority does not have a policy of canceling all supporting documents submitted with invoices. Although it is the Authority's practice to stamp the

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cover page of invoices as paid, all invoice documents should be adequately cancelled to prevent misuse.

- C) The Authority does not consistently require consultants/contractors to include a description of services provided during the billing period with their invoices. As a result, the Authority does not have adequate information to determine whether the amounts invoiced are for services included in the scope of services defined in contracts and/or supplemental agreements. Invoices reviewed ranged from \$77,608 to \$944,355 drawn from a sample of six contracts. Good internal controls require an adequate description of the services provided on invoices submitted for payment.

Procedures should be in place to ensure invoices provide adequate description of services provided, and are adequately supported and compliant with contract documents.

We Recommend procedures be established to ensure the following:

- A) Adequate documentation to show receipt of goods and services are provided with invoices;
- B) All invoices and supporting documents are cancelled to prevent misuse; and,
- C) Invoices contain adequate description of the goods and services charged.

Management's Response:

- A) Concur.

The Procurement Office is currently preparing contract management, invoice review and processing procedures that address the concerns described. One issue currently being addressed is the development of a cover sheet to accompany all

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invoices with proper routing and signatures authorities outlined. The procedures will be complete and in place by December 15, 2007.

B) Concur.

We now stamp each page of the backup with the "paid" stamp, so that the backup can not be reused. However, this action does not prevent the electronic duplication of backup.

C) Concur.

The Procurement Office is currently preparing contract management and invoice review and processing procedures that address the concerns described.

Recommendations for Improvement – Accounting

28. Accounting Controls Should Be Improved

During our review, we noted instances where accounting controls were not adequate. Examples are as follows:

- A) The Authority does not reconcile the contract balance as shown on the GEC invoice to their own records. The GEC invoice for the period ending September 30, 2006, had a remaining contract balance that was approximately \$550,000 more than the Authority's financial system indicated.
- B) The Authority frequently issues supplemental agreements to existing contracts for self-contained projects with a maximum limiting amount for a defined scope of services. The Authority's Contract Module of their financial system does not track the balance of each individual supplemental but adds the new funds to the remaining balance of the original contract. As a result of reviewing invoice and contract data for the

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GEC, we noted that the remaining balance in the Contract Module is not reduced by the amounts not expended on completed projects. For the six months reviewed, we noted seven projects with a combined remaining balance of \$143,880. These had been closed by the GEC and no reduction to the remaining balance was noted in the Authority's Contract Module. Contract balances should be reconciled on a periodic basis. Balances in the accounting system should be zeroed out at the time a contract is closed out.

- C) The Authority did not consistently allocate funds expended for CMC services to the correct road projects. During our review of invoices for CMC services for the period July 2006 to September 2006 we noted that the Authority posted all funds paid to the CMC to accounting lines for SR 408 and SR 429. However, the CMC invoices reviewed showed expenses totaling approximately \$132,000 that were attributable to SR 417 and SR 528. The cost to construct and maintain each of the roads in the expressway system should be accurately stated in the Authority's records.
- D) During the audit period, we noted that it was the Authority's practice to inventory and capitalize fixtures and tangible personal property valued \$750 or more. However, the amount used in practice does not conform to the Board adopted policy, which specifies \$500 or more. It should be noted that Florida Statutes, Chapter 274 increased the value of capitalized fixed assets to \$1,000 or more beginning in 2004. Practices relative to fixed assets should be compliant with Board adopted policies.
- E) Property and equipment purchased through the Authority's Operating, Maintenance, and Administration budget were not entered into the Fixed Asset Module in a timely manner. As of December 2006, qualifying items purchased during the fiscal year ending June 30, 2006 had not been entered in the Fixed Asset Module. The timely preparation of

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detailed property records provides controls to safeguard assets.

- F) Certain controls relative to the check printing and signing processes are not adequate. During our walkthrough of the check printing process, we noted controls do not prevent the Accounts Payable (A/P) Clerk from altering the check file after the Trial Check List Report has been reviewed by the accountant. The report is given to an accountant to verify that a valid invoice is present for all checks listed on the report. The accountant initials and dates only the first page of the report signifying he has conducted his review. When complete, the report and all invoices are returned to the A/P Clerk. At this point, the A/P Clerk could alter the check run by adding items to it and reproduce the final report page with the total. The employees that print the checks and post the checks to the general ledger only ensure the totals of what is printed and posted match the totals on the Trial Check List Report. In addition, we were informed and observed that certain authorized signers do not review any support data when approving the report for payments of checks for \$25,000 or less and all electronic funds transfer transactions.
- G) The manual check supply is not being audited on a periodic basis. Upon inquiry, we learned that the employees who are responsible to perform this function were not aware that a manual check supply existed. All controlled items, including the manual check supply, should be accounted for and audited on a periodic basis.

Proper accounting controls help ensure transactions are reported accurately, timely and in accordance with rules and regulations.

We Recommend procedures are established to ensure the following:

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- A) Contract balances reported by vendors are periodically reconciled to the Authority's records and appropriate action is taken when discrepancies are noted;
- B) The cost to construct and maintain each of the roads in the expressway system are accurately stated in the Authority's records;
- C) Practices relative to fixed assets are compliant with Board adopted policies. Further, fixed asset policies should be reviewed on a periodic basis to determine if they should be updated;
- D) Detailed information for qualifying property and equipment are entered in the Fixed Asset Module in a timely manner;
- E) Adequate controls are in place to prevent the check file from being altered once it has been reviewed; and,
- F) Periodic audits are performed for all existing check supplies.

Management's Response:

- A) Concur.

The Authority reviews contract balances against contractor invoices and supplemental agreement balances, however, timing differences do occur. Staff also zeros out the contract balance at the end of the contract term by closing the contract. However, the Authority does not always decrease the value of the contracts when a specific task is accomplished below budget.

- B) Concur.

The condition detected was a coding error that has been corrected.

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C) Concur.

In 2000, the Authority changed the capitalization threshold to be consistent with Florida Statute, but failed to seek Board approval to do so. An amended policy has since been approved by the Board.

D) Concur.

The Authority purchases very few fixed assets other than ROW, roadways, and toll equipment. Computers are logged in by the IT department and reconciled with Accounting's fixed asset records at year end. Nevertheless, the Authority has been working on a goal of recording tangible property on a quarterly basis.

E) Concur.

The Authority's accountant now signs every page of the check run. Staff verifies the time and date stamp on the top of each page. Check signers have a duty to review the checks and check lists that they sign, but at that point, all of the supporting documents have been reviewed by the invoice approver, accounts payable staff, and an accountant, who is tasked with ensuring all checks on this check list are properly authorized.

F) Concur.

Recommendations for Improvement – Human Resources and Related Travel

29. Adequate Pay Plan and Job Descriptions Should Be Developed

We noted the following concerns regarding the Authority's pay plan and job descriptions:

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- A) The Authority has not established its own pay plan, but instead bases its positions and pay on a compensation study performed by an outside consultant. We compared the current organizational chart with the study and noted positions did not match or were not listed in the plan for 13 of the 41 employees. In addition, eight of the positions exceeded the maximum pay noted.
- B) During our review, job descriptions were not prepared for seven of the 35 different positions at the Authority. The Authority had 42 employees at the time of our audit. We also noted there was no standard format for the job descriptions. We noted several job descriptions did not contain salary data, and none contained a pay grade. In addition, the job description for the Human Resources and Contract Compliance Manager did not indicate any human resource duties were required for the position. We also noted the job description for the Director of Planning states the position manages consultants, but no consultants are noted on the organizational chart for this position as are for other positions.

An organization should establish a list of the positions necessary to accomplish its goals and objectives with salary ranges based on duties and responsibilities. Without an adequate pay plan an organization may not be able to properly budget for salaries or ensure all of its goals and objective are being accomplished. In addition, a pay plan helps to establish consistency in pay and equitable treatment of employees. Also, job descriptions should be developed for each position within an organization. Such descriptions should indicate the position's general function, duties or assignments, minimum qualifications, and a pay grade or salary ranges.

We Recommend the Authority performs the following:

- A) Establishes and adopt a pay plan with ranges of pay that reflects the actual positions filled at the agency; and,

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- B) Develops standardized job descriptions for all positions employed within the organization in standard format that accurately reflect the duties to be performed.

Management's Response:

- A) Concur.

The Authority is utilizing the Dietrich and Associates, Inc. Salary Survey products to establish a pay plan with ranges of pay for each position.

As a result of an Authority reorganization in 2006, thirteen positions were restructured.

An established national salary survey produced by Dietrich and Associates was used to establish salary guidelines. The positions identified are within the first and third quartile of the Dietrich 2002 Executive Engineers Salary Survey and Dietrich 2006 Support Services Survey for like positions.

The Authority currently utilizes the Dietrich Survey as a more comprehensive and cost effective tool to establish and evaluate salary.

- B) Concur.

The Director of Business Development is updating and standardizing all position descriptions.

30. Controls Over the Hiring Process Should Be Improved

We reviewed the recruitment and personnel files for the hiring of a sample of five positions and noted the following:

- A) We were informed by the HR Manager that one position was selected by the marketing firm and hired by the Authority without formal advertisement.

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- B) The selection process was not documented for two of the positions as the interviewing departments did not forward any notes, questionnaires, or evaluations to Human Resources for inclusion in the files.
- C) Two of the personnel files did not contain any evidence indicating that a background check had been performed for the new employees.
- D) The Authority does not have a policy addressing the hiring of employees' relatives or terminated employees by the Authority's contractors and vendors. This policy could address issues such as whether the employment of an employee's relative by a contractor the employee oversees is a conflict and whether a previous employee of the Authority may work with the contractor on Authority business.

Vacant positions should be formally advertised to allow fair and open competition for the jobs available. Without adequate advertising of open positions, the Authority may not have the best candidates available for interview. Documentation of the selection process should also be retained to verify candidates were given a fair opportunity for the job. In addition, background checks should be performed on all new employees because they help to prevent persons more likely to commit fraud within the organization from being hired.

We Recommend the Authority performs the following:

- A) Formally advertise open positions not filled from within;
- B) Retain documentation of the selection process for filling vacant positions;
- C) Retain evidence of background checks for all newly hired employees; and,

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- D) Develop a written policy addressing employment of employees' relatives or terminated employees by the Authority's contractors and vendors.

Management's Response:

- A) Concur.

This position was hired under the direction of the former Executive Director. Current Authority leadership insists on competitive recruiting and hiring practices conducted by Authority staff.

- B) Concur.

The Human Resources Department is developing criteria and documentation that will be required for the hiring process. This procedure will be complete by December 31, 2007

- C) Concur.

The Authority retains evidence of background checks performed on newly hired employees.

- D) Partially concur.

OOCEA Employee handbook and the Personnel Policy Manual under the General Employment Section IX, covers Nepotism (employment of relatives) (see Attachment F). OOCEA does not have a policy with regard to employment of employees' terminated by OOCEA going to work for contractors and vendors. Nor, does OOCEA restrict a terminated employee of an OOCEA contractor or vendor, from employment with OOCEA.

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31. Travel Reimbursements Should Be Submitted in a Timely Manner and Approved by the Authority Board When Appropriate

During our review of travel vouchers we noted the following:

Three reimbursement requests for travel expenditures were not submitted in a timely manner after the employee/Board member completed their travel. These requests were as follows:

Position	Date Travel Ended	Date Submitted	Number of Days After Travel Ended
Director of HR	07/12/06	10/13/06	93
Chairman of Board	09/21/06	11/08/06	48
Director of HR	09/06/06	01/04/07	124

The Authority's employee handbook notes "Receipts shall be submitted for reimbursement of any and all reimbursable expenses, immediately upon incurring such expense, or as soon as reasonably possible upon return from travel." No exact time-period is noted. As a bench mark, the Orange County Comptroller's Travel Policy requires expense forms to be filed within 10 workdays of return from travel. However, for testing purposes, we considered thirty calendar days as timely for the Authority. If reimbursement requests are not filed in a timely manner they could be overlooked altogether and actual travel expenditures inaccurately reported by the Authority.

We Recommend the Authority revises the current policy and ensures travel reimbursement forms are submitted for payment in a timely manner.

Management's Response:

Concur.

The vast majority of travel vouchers are submitted in a timely manner. Staff noticed that certain reports were not submitted in a timely manner and implemented a procedure

whereby outstanding reports are reviewed on a monthly basis.

Recommendations for Improvement – Right-of-Way Acquisitions

32. The Right-of-Way Acquisition Procedures Manual Should Be Updated

The Right-of-Way Acquisition Procedures Manual was prepared for the Authority in 1992 by their GEC firm and generally depicts their processes; however, the document needs updating. For example, the document makes numerous references to the Director of Right-of-Way, but, this position does not exist at the Authority. The document also notes two organizational styles that may be utilized: an Acquisition Coordinator who will manage and coordinate individual consultants or a Turnkey Consultant which would use a single firm or team of firms to fulfill all of the right-of-way functions. Both of these styles are to report to the Director of Right-of-Way. An organization should maintain up-to-date procedures manuals that depict all current processes.

We Recommend the Right-of-Way Acquisition Procedures Manual be updated to reflect current processes and when changes occur in the future.

Management's Response:

Concur.

The Property Acquisition & Disposition Manual is being updated to delete references to the Director of Right of Way and to codify other housekeeping revisions. The new General Counsel will be presenting an update to the Right of Way Committee in November 2007 and anticipates requesting Board approval in January 2008.

In effect, the increased role of the Right of Way Committee has eliminated the need for the Authority to retain a Director

of Right of Way. The Committee holds monthly public meetings to review all condemnation settlements and other property acquisition and disposition matters. The service rendered by the two members of the Board who sit on the Committee as well as the third member, the Deputy Executive Director of Engineering and Operations, has resulted not only in personnel savings, but also provides heightened scrutiny of all condemnation settlements.

The Acquisition Coordinator is a position staffed by the GEC and filled by an individual who is knowledgeable in real estate acquisition and provides support assistance to both the Committee and to Right of Way Counsel.

Recommendations for Improvement – Road Construction Activities

33. Payment for Road Construction Services Should Be Adequately Supported

Regarding the payment for services performed on road improvement project No. 253C, we noted the following concerns:

- A) Based upon a review performed by our design engineering consultants the estimated quantity of embankment material in-place as of the May 9, 2007, billing date was approximately 67.6 percent or 253,600 cubic yards (CY). This included the mainline, ramps and ponds. However, the contractor billed and was paid for 317,230 CY or 84.58 percent of the design quantity of in-place embankment. As a result, it appears that payment was made for 63,630 CY of material that was not in-place. At a pay rate of \$15.69 per CY, this translates into approximately \$1 million. We understand that this amount is an estimate as of that point in time, and upon completion of the project all materials would need to be delivered and in-place for the project to meet design specifications. Based upon the documents provided by the CMC, it appears that the CEI prepared the estimates based upon a

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conversion rate of 15 CY of in-place material per truck load of fill material that was brought in. This conversion rate was later confirmed by the Authority. The construction contract requires payment for installed in-place material. However, there appears to be no provision for performing an independent review for the actual in-place material after compaction at certain points. According to Authority staff, at the conclusion of the project, the total quantity paid will be the original in-place quantity as required by the plans and specifications and any differences in quantity noted at this point will be appropriately adjusted.

- B) The pay estimates were not signed by the contractor performing the work for a sample of 10 pay estimates for construction project no. 253C. In addition, the CEI who reportedly prepared the pay estimates only signs a transmittal letter that accompanies the pay estimate and, as such, does not sign off on the typical certifications. These pay estimates ranged from \$87,006 to \$6,531,886. Best practices require that pay estimates be signed by the preparer and the contractor. Without these signatures, we could not determine whether the CEI actually certified the documents and assumed responsibility for its accuracy and whether the contractor agreed with the work performed.

We Recommend the Authority ensures the following:

- A) Periodic review of the actual in-place embankment material that results after compaction to ensure the quantity in-place corresponds to the quantity billed; and,
- B) The contractor and the CEI sign the pay estimates.

Management's Response:

- A) Concur.

An overpayment did not occur on this contract. The line item of the contract referenced here is a lump sum item. Progress payments are made throughout the life of the contract based upon percentage of completion estimates made in the field by the independent CEI and reviewed by the CMC and Director of Construction. The auditors rightfully acknowledge that the Authority uses a conversion rate of 15 CY for in-place material per truck load to estimate percentage-of-completion payment amounts, which is standard practice in the highway construction industry. However, the estimate prepared by the auditors, a field review (not a field survey), is still an estimate. There is a third method, called a field survey, that would be more accurate, but also significantly more expensive. It requires very precise measurements to be taken and if implemented, would cost the Authority a minimum of \$20,000 per monthly pay estimate. In most cases, construction would have to be interrupted to conduct an accurate field survey. This expenditure is unnecessary because the same amount will be paid to the contractor for this lump-sum pay item. At best, utilizing the field survey method may slow down the payment schedule, but the cost of implementing this additional task would far outweigh the savings on the float. The Authority feels that it is utilizing a cost-effective method of estimating material that is fair to all parties. The Authority believes that there may be value in applying a periodic field review to validate the conversion rates at certain places in the construction process.

B) Partially Concur.

It should be noted that FDOT's procedures, which is standard in the industry, does not require contractor sign off on pay estimates. While it is our practice to consult with the contractor during the estimating process, this is not required, nor do they have the ability to dictate the amounts paid. Their sign-off comes at the end of the job when the contractor

acknowledges his acceptance of the final quantities and amounts.

34. Appropriate Tests Should Be Performed to Ensure Compliance with Road Construction Contract Provisions

A review by our geotechnical and materials testing engineers of certain compliance issues relating to the repaving of SR 528 and the widening of the 408 expressway revealed the Daily Report of Asphalt Plant Inspector form for SR 528 was not fully completed. The form did not indicate that the quality assurance inspector performed independent Voids in Mineral Aggregate (VMA), Voids Filled with Asphalt (VFA) and Dust Proportion tests when other volumetric criteria (Mixture Densification – Sec. 334-4.2.4) were performed during the same period. Although the quality control documents indicate that these tests were performed by the contractor in accordance with contract specifications (Sec. 334-4.2.5-7), the CEI should also perform their own calculations to verify contractor compliance with contract specifications. According to the Authority, the CEI was relying on the calculations performed by the contractor.

We Recommend the Authority ensures the CEI for SR 528 perform their own calculations for Voids in Mineral Aggregate, Voids Filled with Asphalt and Dust Proportion.

Management's Response:

Concur.

We did find one set of calculations that was not consistently re-performed by the CEI for VMA, VFA and dust asphalt. In this case, both the contractor and CEI were required to conduct certain tests to ensure the manufactured material meets the contract specification requirements, and both did. Based on the test results, the contractor was to perform certain calculations to provide additional support for the conclusions derived from those tests. Although the CEI did verify that the contractor had performed the calculations, the

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CEI failed to re-perform those calculations. We will ensure that the CEI performs those in the future, but it should be noted that the lack of those re-calculations did not impact the project, quality of the product, or the amount due from the contractor.

METHODOLOGY

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Appendix A – Methodology

To accomplish our audit objectives, we performed the following:

- A) To determine whether the procurement of goods and services was subject to fair and open competition; in compliance with applicable internal policies, laws and regulations, and generally accepted government practices, we performed the following:
 - 1) Obtained a schedule of contracts that had activity during the audit period from the Authority, validated the population and selected a sample for review. During the review process, we performed the following:
 - a) Determined whether the IFB, RFP or LOI solicitation was advertised, criteria for evaluation was adequate and the evaluation appropriately performed and adequately documented by scoring sheets, memos and minutes.
 - b) Reviewed bid opening procedures for construction projects, as well as documentation to show whether the Authority had analyzed bids for front-end loading, variances of line items in the lowest bid with other bids and significant variances with engineers' estimates.
 - c) Examined contract documents for existence, adequacy of language, that goods and services served a valid public purpose, were properly approved by the Authority Board and executed by staff. Also, we traced the amounts in the bid documents to the contracts and ensured that the amounts were properly recorded in the Authority's accounting system. Our review of contract language included a verification of the presence of and an evaluation of the adequacy of the contract terms to include the early termination clause, use of an average rate clause, a truth in negotiation clause, an audit clause, a right of refusal clause, guidelines for retainage, use of direct purchases, a value engineering clause, disposition of Authority funded assets, and appropriate and applicable deliverables.
 - d) Reviewed supplemental agreements to the contracts in the sample to ensure: the scope of services related to the original scope; additional services covered by the supplemental agreement did not duplicate services in the original contract; the terms were appropriate; and the agreements were properly authorized and executed. In addition, we traced the amount on each supplemental agreement to the contracts module and verified that the amount

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was accurately recorded. We also evaluated whether the use of the supplemental agreements was appropriate.

- e) Reviewed renewal agreements, selected in the contract sample, for evidence of written evaluation of performance and recommendation for renewal. Compared terms of the renewal contracts with prior contracts and similar contracts to determine changes in contract terms and evaluated significant changes for appropriateness. We reviewed the scope and pricing of the renewed contracts and evaluated whether the services should have been re-bid.
 - f) Selected a sample of contractor and consultants' subcontracts and examined them for adequacy of the audit clause, applicable flow-down requirements from the primary contracts and the general adequacy of the language to ensure the Authority's rights and privileges were preserved.
 - g) Evaluated the use of direct purchases and contractor compliance with contract provisions including submittals from section engineers. We also reviewed and evaluated the Authority's draft procurement policy.
 - h) Verified that a public construction bond was obtained and included in the contract documents for construction contracts. Evaluated if outstanding issues in the memorandum of agreements were resolved. In addition, we obtained the services of a design engineering firm and a geotechnical engineering and materials testing firm to verify certain quantities billed and compliance with contract specifications for road construction. The geotechnical engineers also evaluated the Construction Engineering Inspectors' quality assurance programs for a sample road construction project and reviewed various testing results to ensure compliance with contract specifications. Also, the geotechnical engineers performed independent testing on the sample project by obtaining core samples of superpave asphaltic concrete and verified composition and thickness for compliance with contract specifications.
- 2) For Human Resources, Payroll, and Travel we performed the following:
- a) Selected a sample of employees hired during the audit period and verified the positions were advertised, applicants interviewed met the qualifications, and that the process was documented. For the persons hired during the audit period, we reviewed the personnel

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Appendix A – Methodology

files for adequate documentation, including a background check. We tested whether their salary was in the range of the Authority's salary pay plan and verified benefits were accurately recorded.

- b) Compared the Authority's position titles and compensation to the pay plan for compliance.
 - c) Determined whether bonuses were paid to employees during the last three fiscal years and were properly authorized and documented.
 - d) Determined whether leave was properly approved and recorded by selecting a pay period and comparing leave requests to payroll and leave records. We verified all overtime, compensatory time, and administrative time was properly approved. We also verified all payroll changes were authorized, supported, and completed and employee deductions were correct as documented.
 - e) Reviewed the payroll report and check listing for unknown names and verified it was reviewed and approved. We also compared the pay to the direct deposit file and reviewed accounting records to verify the payroll was correctly posted.
 - f) Verified terminated employees returned assigned equipment by reviewing employee files and check lists.
 - g) Reviewed travel expenditures by traveler for excessive travel. We also reviewed a sample of both Board member and employee travel vouchers to verify that they were properly supported and authorized, incurred for a valid public purpose, followed proper guidelines, and were submitted for reimbursement in a timely manner. We noted reimbursement for any unauthorized costs, and if noted, reviewed documentation for reasonableness and approval.
- 3) For Right-of-Way acquisitions we selected a sample of land purchases and verified the files contained an owner offer letter and survey report. We evaluated whether the value appeared reasonable and determined whether property had recently changed hands or related parties were involved. If negotiations with the owner were not successful, we verified a resolution for eminent domain proceedings was approved by the Board, proper documents were filed with the Court, both the Right-of-Way Committee and the Board approved the settlement, and the amount paid included all proper fees. We also verified Conflict Disclosure forms were

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Appendix A – Methodology

on file for all parties involved. Based upon a sample selected, we tested whether surplus property sales were supported by a resolution of the Board and an independent appraisal report. We also verified the funds were received and deposited by the Authority.

- B) To determine whether the controls over the payment of goods and services were adequate to ensure that the goods and services paid for were properly authorized and actually received, performed, and in compliance with contractual terms, we performed the following:
- 1) Reviewed policies and procedures, conducted interviews with managerial and line staff persons, completed internal control questionnaires, performed a transactional walk-through of the systems in place and documented the various operational processes and systems. We then assessed controls using a risk-based analysis.
 - 2) Based upon the results of the risk based analysis, we obtained a schedule of payments made by the Authority during the audit period and validated the population (which included a scan for possible duplicate payments). We then segregated the payments into various categories and for each category, selected samples of payments for review. During the review process, we performed the following:
 - a) Examined invoice documents for evidence that they were reviewed and approved for payment by appropriate Authority officers and contained evidence that the goods/services charged were received.
 - b) Examined invoices to determine whether amounts billed were adequately supported and mathematically accurate.
 - c) Determined, where applicable, whether Board approval was obtained and authorizing documents (i.e., contracts, supplemental agreements, purchase orders) were executed before work commenced and invoices were paid.
 - d) Compared amounts (i.e., unit costs, labor rates, authorized personnel, direct expenses, multipliers, retainage, etc.) and goods/services invoiced to authorizing documents, primarily written contracts, to determine compliance with such documents.
 - e) Verified that sufficient quotes were obtained as applicable and that the lowest quote was used or, if not, justified in writing.

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Appendix A – Methodology

- f) Compared delivery addresses of actual goods and services with work sites as well as billing addresses with employee addresses and investigated any differences. Post office boxes were reviewed for authenticity. Pick-up items were assessed to determine whether further investigation was warranted.
 - g) Traced qualifying items purchased through the Authority's Operating, Maintenance and Administration budget to the Authority's fixed asset schedule and determined whether the item physically existed. In addition, we verified and obtained written evidence that an annual in-house fixed asset inventory is/was conducted. A written policy was also obtained and evaluated for adequacy on the handling of fixed assets.
- 3) We also obtained a sample of road construction pay estimates and reviewed them for mathematical accuracy, mobilization was paid and retainage held in accordance with contract requirements. We also verified that the pay estimates were properly authorized and stored materials adequately supported.
- C) With regard to the operating structure of the Authority, based upon the information gathered and the knowledge acquired during the survey and testing stages of the audit, we summarized the relationship between the Authority and some of its consultants. We evaluated this relationship and the Authority's organization structure for potential reduction in operating costs, efficiency and effective performance and management.

We did not review issues relating to the following:

- The public relations contract that was terminated;
- The procurement of operating funds through the issuance of Bonds;
- The value of the services received from the two person consulting team for team building and efficiency exercises; and,
- The use of Lobbyists.
- Revenues
- IT Controls

MANAGEMENT'S ATTACHMENTS



HARWOOD
CC: BIEREMA ✓

CONSULTANT AGREEMENT

THIS AGREEMENT, is made and entered into this 22nd day of September, 1986, by and between the ORLANDO-ORANGE COUNTY EXPRESSWAY AUTHORITY, an agency of the State of Florida, hereinafter called the "AUTHORITY", and the consulting firm of POST, BUCKLEY, SCHUH & JERNIGAN, INC., a Florida Corporation, duly authorized to conduct business in the State of Florida, hereinafter called the "ENGINEER".

W I T N E S S E T H:

1.00 The AUTHORITY hereby retains the ENGINEER to serve as the General Consulting Engineer to the AUTHORITY and to provide planning, engineering, surveying, and landscape architectural services as described in Exhibit "A" hereto and any Supplemental Agreements that may be entered into between the AUTHORITY and the ENGINEER.

2.00 The ENGINEER and the AUTHORITY mutually agree to furnish, each to the other, the respective service, information, and items as described in Exhibit "A".

3.00 The services to be rendered by the ENGINEER shall be commenced subsequent to the execution of this Agreement, upon written notice from the AUTHORITY'S Executive Director, and shall be completed in accordance with the time frames set forth at the time of project assignments.

4.00 The AUTHORITY will be at all times advised, at its request, as to the status of work being done by the ENGINEER and of the details thereof. The closest collaboration and cooperation shall be maintained by the ENGINEER with representatives of the AUTHORITY or other agencies interested in the work on behalf of the AUTHORITY. Either party to the Agreement may request and be granted a conference.

5.00 In the event there are delays on the part of the AUTHORITY which delay the work completion date, the AUTHORITY will grant to the ENGINEER, reasonable extensions of contract time, equal to the aforementioned delays occasioned by the AUTHORITY.

6.00 The ENGINEER shall maintain an adequate and competent staff within the State of Florida. The ENGINEER shall not sublet, assign, or transfer any work under this Agreement without the written consent of the Authority.

7.00 All data prepared by the ENGINEER will bear the endorsement of a person in the full employ of the ENGINEER and duly registered in the appropriate professional category.

8.00 All reports or data prepared or obtained under this Agreement shall become the property of the AUTHORITY without restriction or limitation of their use; and shall be made available, upon request, to the AUTHORITY at any time. The AUTHORITY will have the right to visit the site for inspection of any work and data of the ENGINEER at any time. Unless changed by written agreement of the parties, said site shall be 889 North Orange Avenue, Orlando, 32801.

9.00 The ENGINEER shall comply with the federal, state, and local laws and ordinances applicable to the work or payment of work thereof, and shall not discriminate on the grounds of race, color, religion, sex, or national origin in the performance of the work under this Agreement.

10.00 The AUTHORITY agrees to pay the ENGINEER for the above described services, and compensation is to be made in the following manner:

10.01 The AUTHORITY shall compensate the ENGINEER for services performed under this Agreement as described in Exhibit "B".

10.02 The ENGINEER will perform the work in the most expeditious manner and will complete the required services within such reasonable time requirements and reasonable written instructions, as may be requested or provided by the AUTHORITY.

10.03 Payments to the ENGINEER will be made by the AUTHORITY on the basis of monthly invoices submitted by the ENGINEER for appropriate costs during the billing period. The amount invoiced,

in case of services being paid for on a Time and Material basis, shall be determined by using the salaries of those persons directly engaged in the performance of such services, times a multiplier as described in Exhibit "B". Payment for out-of-pocket expenses, directly related to services performed, shall be invoiced as described in Exhibit "B". Salaries, when used in this Agreement or any exhibit thereto, shall mean the base pay and shall not include any fringe benefits, governmental or otherwise, perquisites, incentives or any other form of compensation, remuneration or benefit which may accrue to the employee.

10.04 For any work beyond the scope as covered in this Agreement, a Supplemental Agreement may be entered into covering the additional work and compensation for same prior to the ENGINEER performing said additional work.

11.00 It is expressly agreed by the parties hereto that the AUTHORITY shall have the right to at any time, at their discretion, abandon, cancel, or suspend the services to be performed by the ENGINEER under the terms of this Agreement, or parts hereof, including termination of this Agreement; provided that the ENGINEER shall be compensated for its services rendered up to the time of such abandonment, cancellation, or suspension on a quantum meruit basis and the parties hereto shall not have any further liability or responsibility to each other under the terms of this Agreement.

12.00 All services shall be performed by the ENGINEER to the satisfaction of the AUTHORITY. The AUTHORITY and the ENGINEER shall decide to their mutual satisfaction all questions, difficulties, and disputes of any nature whatsoever that may arise under or by reason of this Agreement, the prosecution and fulfillment of the services hereunder, the character, quality, amount and value thereof; and, their decision upon all claims, questions, and disputes shall be final and conclusive upon the parties hereto. Adjustment of compensation and contract time because of any major changes in the work that may become necessary or desirable as the work progresses shall be left to the absolute discretion of the AUTHORITY and a Supplemental Agreement of modification or amendment entered into by the parties in accordance herewith.

13.00 Claims arising from changes or revisions made by the ENGINEER shall be presented to the AUTHORITY before work starts under such changed condition. In any case, where the ENGINEER deems that extra compensation is due it for work not covered in the agreement, the ENGINEER shall notify the AUTHORITY in writing of its intention to make claim for extra compensation before it begins work on which the claim is based. If such notification is not given, in writing, then the ENGINEER hereby agrees to waive the claims for such extra compensation. Such notice by the ENGINEER shall in no way be construed as proving the validity of the claim.

14.00 The ENGINEER hereby agrees to indemnify, defend, save and hold harmless the AUTHORITY from all claims, demands, liabilities, and suits of any nature whatsoever arising out of, because of, or due to the breach of this Agreement by the ENGINEER, its subcontractors, agents, or employees, or due to any negligent act or occurrence of omission or commission of the ENGINEER, its subcontractors, agents, or employees in rendering professional services under this Agreement. It is specifically understood and agreed that this indemnification agreement does not cover or indemnify the AUTHORITY for their own negligence or breach of contract.

15.00 The ENGINEER warrants that it has not employed or retained any company or person other than a bona fide employee, working solely for the ENGINEER, to solicit or secure this Agreement and that it has not paid or agreed to pay any person, company, corporation, individual, or firm, other than a bona fide employee working solely for the ENGINEER, any fee, commission, percentage, gift, or any other consideration, contingent upon or resulting from the award or making of this Agreement.

15.01 It is mutually understood and agreed that for the purposes of this Agreement, services of the ENGINEER shall be taken and deemed to include all services provided by the ENGINEER, whether it is performing services in the field of architecture, land surveying, or engineering, or any other type of professional employment whether related to the field of architecture, surveying, engineering, or otherwise. It is further understood and agreed that the term "fee" in paragraph 15.00 above shall also include brokerage fee, however denoted.

15.02 For the breach or violation of paragraph 15.00 or paragraph 15.01 above, the AUTHORITY shall have the right to deduct from the contract price, or otherwise recover, the full amount of such fee, commission, percentage, gift, or consideration.

16.00 The ENGINEER shall have and maintain during the period of this Agreement a professional liability insurance policy or policies with a company or companies authorized to do business in the State of Florida, affording professional liability coverage for the professional services to be rendered in accordance with this Agreement in such amount as shall be deemed sufficient by the AUTHORITY provided that such insurance coverage is available.

17.00 The ENGINEER agrees that it shall make no statement, press releases, or publicity releases concerning this Agreement or its subject matter or otherwise disclose or permit to be disclosed any of the data or other information obtained or furnished in compliance with this Agreement, or any particulars thereof, during the period of this Agreement, without first notifying the AUTHORITY and securing their consent in writing. The ENGINEER also agrees that it shall not publish, copyright, or patent any of the data furnished in compliance with this Agreement, it being understood that under paragraph 8.00 hereof such data or information is the property of the AUTHORITY.

18.00 All words used herein in the singular form shall extend to and include the plural. All words used in the plural form shall extend and include the singular. All words used in any gender shall extend to and include all genders.

19.00 Standards of Conduct/Conflict of Interest -- The ENGINEER covenants and agrees that it and its employees shall be bound by the standards of conduct provided in Florida Statutes 112.313 as it relates to work performed under this Agreement, which standards will by reference be made a part of this Agreement as though set forth in full. ENGINEER agrees to incorporate the provisions of this paragraph in any subcontract into which it might enter with reference to the work performed.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed, the day and year first above written.

WITNESSES:

ORLANDO-ORANGE COUNTY
EXPRESSWAY AUTHORITY

Neil L. ...

BY: *Phil ...*
Chairman

Christina ...

ATTEST: *Susan ...*
Assistant-Secretary

POST, BUCKLEY, SCHUH & JERNIGAN, INC.

Carol Levine

BY: *H. ...*, Esq., VP

Alma ...

ATTEST: *George ...*
Asst Sec'y

EXHIBIT "A"

SCOPE OF SERVICES

GENERAL CONSULTATION
ORLANDO/ORANGE COUNTY EXPRESSWAY AUTHORITY

The services to be provided by the ENGINEER include general planning and engineering services for projects affecting the present and future Expressway and related road systems to be planned, designed, acquired, constructed, operated, and maintained by the AUTHORITY. More specifically, the ENGINEER will provide the following services:

1. Bond Covenant Services

The ENGINEER will upon written request by the Executive Director, perform such acts and carry out such duties required of the "Consulting Engineers" by the Bond Resolution dated August 20, 1985 and such further instruments as the Authority may enter into with any bond holders.

2. General Planning and Engineering Services

The ENGINEER will upon written request by the Executive Director, and authorization by the Authority, provide planning, engineering, surveying and other services to the Authority related to the development, feasibility, design, acquisition, construction, operation, and maintenance of the Expressway system. These services will include assignments related to the overall existing and future Expressway system and specific projects within the system.

WITNESSES:

Kirklin M. M. M.

Anthony S. S.

ORLANDO-ORANGE COUNTY
EXPRESSWAY AUTHORITY

BY: Paul J. J.
Chairman

ATTEST: Dwain D. D.
Assistant-Secretary

POST, BUCKLEY, SCHUH & JERNIGAN

13: _____

EXHIBIT "B"

ENGINEER'S COMPENSATION

GENERAL CONSULTATION
ORLANDO/ORANGE COUNTY EXPRESSWAY AUTHORITY

A. Principal Work Items

1. Bond Covenant Services Time Charges
2. General Planning, Engineering,
Surveying, and Other Services Time Charges

B. Supplemental Agreements

Additional services may be performed by the ENGINEER based on Supplemental Agreements between the ENGINEER and the AUTHORITY which describe the additional services to be performed and the amount and method of compensation for the ENGINEER.

C. Method of Compensation

1. Time Charges. The AUTHORITY agrees to compensate the ENGINEER for professional services set forth in EXHIBIT "A" and Sections A and B of EXHIBIT "B" by using salaries of all those persons engaged directly in the performance of such services, times a multiplier of 2.75.

2. Out-of-Pocket Expenses. The AUTHORITY agrees to reimburse the ENGINEER for all reasonable out-of-pocket expenses, directly chargeable to the project, at actual cost incurred. In addition, all subconsultant expenses, approved and authorized by the AUTHORITY, shall be reimbursed at cost plus a ten percent (10%) management fee in lieu of any time charge. Public information and/or public relations subconsultant reimbursements shall be excluded from this ten percent (10%) management fee. Such charges shall be itemized and included in the monthly invoices for time charges and shall be submitted and paid as provided in paragraph 10.03 of the Agreement for time charges.

WITNESSES:

Karl M. Mize
Shirley Sue Pi

ORLANDO-ORANGE COUNTY
EXPRESSWAY AUTHORITY

BY: Phil Beca
Chairman

ATTEST: Awan Jurex
Assistant Secretary



HARWOOD
CC: Bierema ✓

CONSULTANT AGREEMENT

THIS AGREEMENT, is made and entered into this 22nd day of September, 1986, by and between the ORLANDO-ORANGE COUNTY EXPRESSWAY AUTHORITY, an agency of the State of Florida, hereinafter called the "AUTHORITY", and the consulting firm of POST, BUCKLEY, SCHUH & JERNIGAN, INC., a Florida Corporation, duly authorized to conduct business in the State of Florida, hereinafter called the "ENGINEER".

W I T N E S S E T H:

1.00 The AUTHORITY hereby retains the ENGINEER to serve as the General Consulting Engineer to the AUTHORITY and to provide planning, engineering, surveying, and landscape architectural services as described in Exhibit "A" hereto and any Supplemental Agreements that may be entered into between the AUTHORITY and the ENGINEER.

2.00 The ENGINEER and the AUTHORITY mutually agree to furnish, each to the other, the respective service, information, and items as described in Exhibit "A".

3.00 The services to be rendered by the ENGINEER shall be commenced subsequent to the execution of this Agreement, upon written notice from the AUTHORITY'S Executive Director, and shall be completed in accordance with the time frames set forth at the time of project assignments.

4.00 The AUTHORITY will be at all times advised, at its request, as to the status of work being done by the ENGINEER and of the details thereof. The closest collaboration and cooperation shall be maintained by the ENGINEER with representatives of the AUTHORITY or other agencies interested in the work on behalf of the AUTHORITY. Either party to the Agreement may request and be granted a conference.

5.00 In the event there are delays on the part of the AUTHORITY which delay the work completion date, the AUTHORITY will grant to the ENGINEER, reasonable extensions of contract time, equal to the aforementioned delays occasioned by the AUTHORITY.

E#000387

NOTICE TO PROFESSIONAL ENGINEERING CONSULTANTS
Orlando-Orange County Expressway Authority

The Orlando-Orange County Expressway Authority (the Authority) requires the services of a consultant in connection with engineering contract administration and management services relating to the Authority's maintenance management program for roads, bridges, and facilities. Shortlist consideration will be given to only those firms who are qualified pursuant to law and who have been prequalified by FDOT to perform the indicated Types of Work.

TYPES OF WORK: Group 10, Construction Engineering Inspection.

DESCRIPTION: The work consists of providing engineering contract administration and management services for the Authority's Highway and Facilities Maintenance Programs. The selected consultant, as the Authority's Maintenance Management Consultant, shall provide sufficient staff to support activities and program areas including, but not limited to: roadway and bridge maintenance contract administration; maintenance contract development; maintenance condition survey management; road serviceability analysis; toll facilities maintenance management; and transportation safety management.

LETTERS OF INTEREST SUBMITTAL REQUIREMENTS: Consultants wishing to be considered shall submit six (6) sets of a Letter of Interest package. The letter shall be a maximum of ten (10) pages exclusive of attachments and resumes. The packages shall include the following:

1. Experience - Details of specific experience for at least three (3) projects, similar to that described above that involve maintenance of major highway and facilities systems, completed by the consultant's Project Manager and other key project team members including the name of client contact person, telephone number, and physical address.
2. Personnel Experience - Resumes of the consultant's proposed Project Manager and other key personnel presently employed by the consultant who will be assigned to the project. The Project Manager shall have a minimum of three (3) years of specific experience in major highway and facilities maintenance projects.
3. Project Team - Anticipated subconsultants shall be identified and the roles that each will play in providing the required services. Resumes should be provided for subconsultants that may be involved in key roles.
4. Prequalification Documentation - A copy of the Notice of Qualification

issued by the FDOT showing current qualification in the Type of Work specified above.

5. Office Location - The office assigned responsibility and its physical address shall be identified. It is required that the consultant have an office and key staff located within the Orlando area.

Failure to submit any of the above required information may be cause for rejection of the package as non-responsive.

CODE OF ETHICS: All consultants selected to work with the Authority are required to comply with the Authority's Code of Ethics, a copy of which may be obtained by contacting the Authority.

NON-SOLICITATION PROVISION: From the first date of publication of this notice, no person may contact any Authority Board Member, Officer or Employee or any selection committee member, with respect to this notice or the services to be provided, except as related to the Submittal Requirements detailed above. Reference is made to the lobbying guidelines of the Authority for further information regarding this Non-Solicitation Provision.

SELECTION/NEGOTIATIONS: The Authority will shortlist firms based on the Authority's "Pass/Fail" evaluation of the Letters of Interest and qualifications information received. Shortlisted firms will proceed to the next step in the process which includes an oral presentation based on a detailed Scope of Services that will be provided to the firms by the Authority.

EQUAL OPPORTUNITY STATEMENT: The Orlando-Orange County Expressway Authority, in accordance with the provisions of Title VI and Title VII of the Civil Rights Act of 1964, hereby notifies all firms and individuals that it will require affirmative efforts be made to ensure participation by minorities.

MINORITY/WOMEN/DISADVANTAGED BUSINESS ENTERPRISE PARTICIPATION: Minority/Women/Disadvantaged Business Enterprises will not be discriminated against on the basis of race, color, sex, or national origin in consideration for qualification or an award by the Authority.

LETTER OF RESPONSE DEADLINE:

September 22, 2006, 3:00 p.m., Orlando local time

AUTHORITY CONTACT PERSON:

Mr. Rod Stroupe
Manager of Maintenance
Telephone: (407) 316-3800

LETTER OF RESPONSE ADDRESS:

Orlando-Orange County Expressway Authority
525 S. Magnolia Avenue
Orlando, FL 32801
Re: Maintenance Management Consultant

ORLANDO-ORANGE COUNTY EXPRESSWAY AUTHORITY

Michael Snyder, P.E.
Executive Director

(10/12/2007) Nita Crowder - Fwd: FW: Owner Direct Purchase

Page 1

From: Ben Dreiling
To: Crowder, Nita
Date: 8/8/2006 11:44 AM
Subject: Fwd: FW: Owner Direct Purchase
Attachments: OOCEA ODP Summary.xls; Guidelines for use of ODP Summary spreadsheet.doc; OOCEA Direct Purchase Form.doc; OOCEA Invoice Summary for Authorizing Payment.doc; OOCEA ODP Procedures.doc

Nita,

Lets discuss.

Ben

>>> "McCoy, David R." <DRMcCoy@pbsj.com> 08/07/06 1:15 PM >>>
Al,

Once you have a chance to look this over let's talk and put together a plan for Ben's consideration/approval.

From: Andy Spencer [mailto:AndyS@CTOBIANDO.com]
Sent: Monday, August 07, 2006 11:27 AM
To: McCoy, David R.
Cc: David Farrar
Subject: Owner Direct Purchase

Dave:

As you are probably aware we have an aggressive ODP goal for this project. The attached files represent the system we had worked out with ZHA to track and verify the tax savings, change orders, invoices and purchase orders. Apparently they had some discussions with the Authority concerning this. The first order we need to do will be the foundation reinforcing steel. Could be within two weeks. Most of the other major equipment will need to be purchased directly by the Authority. Once this gets going it takes almost full time clerical support to keep it running smoothly on our part and the Authority's. We had planned to get our accountants hooked up with the Authority's accountants once we got going to facilitate this process. If you want to go over any of this let me know when.

Andy

Andrew G. Spencer
Project Manager
Clancy & Theys Construction Co.
(407) 578-1449 Office
(407) 578-1439 Fax

<<OOCEA ODP Summary.xls>> <<Guidelines for use of ODP Summary spreadsheet.doc>> <<OOCEA Direct Purchase Form.doc>> <<OOCEA Invoice Summary for Authorizing Payment.doc>> <<OOCEA ODP Procedures.doc>>

Project: Orlando-Orange County Expressway Authority
Administration and Operations Center
Contractor: Clancy & Theys Const. Co.

Vendor:	PO #	PO Amount

Vendor Total	\$0.00
---------------------	---------------

List all invoices below.

[illegible]

Remaining Bal **(\$1.00)**

Clancy & Theys Construction Co.

5/15/06

Guidelines for use of ODP Summary spreadsheet

Upon receipt of completed Direct Purchase Form update the sheet as follows:

1. Right click the vendor worksheet tab and rename the sheet from "Vendor #" to the vendor name (ie "Hughes Supply")
2. Issue purchase order and enter vendor Name, PO number, and amount on vendor worksheet.
3. Enter PO number, PO date, sub name, vendor name and original PO amount on Summary Sheet.

As invoices are received covered by Summary Invoice Letter Authorizing Payment enter the invoice number, invoice date, invoice amount and the date the invoice was received on the corresponding vendor worksheet.

As invoices are paid enter date paid and check number on vendor worksheet.

The "Change Orders DP/Savings Deduct" column on the summary sheet represents the amount of the deductive change order to be written to the contract for the potential tax savings.

The "Actual Tax Savings" column represents the actual savings generated on the amount of material invoiced to date. If a purchase order is 100% billed the potential and the actual savings are equal.

If the purchase order is not billed out 100%, then the open un-billed balance plus sales tax must be returned to the contractor via change order at the end of the project. This often happens in the case of miscellaneous material (concrete, pipe) where the estimated quantity may not always equal the actual purchased quantity.

Orlando-Orange County Expressway Authority
525 South Magnolia Avenue, Orlando, FL 32801-4414
Direct Purchase Order

Date: _____

Subcontractor: _____

Vendor: _____

Federal ID # _____

Phone: _____

Fax: _____

Bill to:
Orlando-Orange County Expressway Authority.
c/o

Job: Admin & Ops Center No. 610-400

All items shipped FOB shipping point full freight allowed. Prepay and add freight must be specifically authorized below.

Only itemized invoices bearing this purchase order number, project number and mailed directly to the bill to address will be approved for payment.

TAX EXEMPTION CERTIFICATE
#

QTY	Description and Specification	Unit Price	Total Price
	TOTAL FOR THIS PURCHASE ORDER		

*****NOTES*****

OOCEA PO Numbers and project numbers must be included on all invoices.
All materials are to be in strict accordance with the Contract Documents and approved submittals.

**This purchase order will reduce Contracts by
Change Order in the amount of: \$ _____**

Estimated tax savings of: \$ _____

Subcontractor Signature _____

Date / /

Printed Name, Title

Contact Person

Orlando-Orange County Expressway Authority
OWNER DIRECT PURCHASES
 INVOICE SUMMARY FOR AUTHORIZING PAYMENT

 Vendor Name

Subcontractor Pay Requisition Number: _____

Dated: _____

Project: OOCEA Administration and Operations Center

Authority Purchase Order Number: _____

Original Purchase Order Amount	\$ _____
Changes to Purchase Order Amount	\$ _____
Revised Purchase Order Amount	\$ _____
Previous Invoices Requested	\$ _____
Amounts Requested this Period	\$ _____
Balance to Finish	\$ _____

<u>Invoice Number</u>	<u>Invoice Date</u>	<u>Amount</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

All materials for the above invoices have been delivered to the project site, in good condition and are for use at the OOCEA Administration and Operations Center.

TOTAL INVOICES THIS PERIOD: \$ _____

APPROVAL:

 Subcontractor Name

 Subcontractor Signature

 General Contractor Signature

 ZHA (Owners Rep) Signature

Policies for OOCEA Administration and Operations Center

Project No. 610-400

Direct Owner Purchase Program

Clancy & Theys Construction Company

Effective: May 8, 2006

1. Subcontractor selects Vendor and obtains quote. All quotes must contain the following:
 - Name of **PROJECT – OOCEA Administration and Operations Center Project No. 610-400**
 - Name of Subcontractor
 - Name, address, telephone number, and contact person for material supplier
 - Quantity of material as estimated by Subcontractor
 - Manufacturer or brand, model or specification number of item
 - Price quoted by supplier for materials identified
 - Sales tax should reflect \$0.00
 - Delivery date established by Subcontractor
 - Remit payment address
 - Freight (if applicable)
2. Subcontractor will have Vendor complete W-9.
3. Subcontractor will fill out the attached Direct Purchase Form, and Subcontractor Acknowledgement form.
4. Once completed, fax or mail the Vendor quote, W-9 (completed and signed by the Vendor), and the Direct Purchase Form to:

Clancy & Theys Construction Company
Attention: Accounting
2101 Park Center Drive, Suite 150
Orlando, FL 32835
Telephone – 407-579-1449
Facsimile – 407-579-0954
5. Request for Purchase Orders are to be forwarded no less than twenty-one (21) days prior to the need for ordering owner-purchased material (unless an earlier date is required by the contract documents). This is to allow sufficient time for review, processing, and approval of the Purchase Order.
6. Upon approval by OOCEA, a Purchase Order will be sent to Vendor with a copy going to Clancy & Theys who will issue a copy to the Subcontractor.
7. All materials are to be delivered to:

PROJECT NAME/Clancy & Theys
Direct Owner Purchase Program
1

OOCEA Admin and Ops Building
4974 Orlando Tower Road
Orlando, FL
Clancy & Theys Construction Co.
General Contractor

8. It is the Subcontractor's responsibility to visually inspect and approve all shipments from Vendor/supplier.
9. **ALL** Vendor invoices must be sent directly to the Subcontractor with delivery tickets attached. All purchase orders will be written with an "invoice to" address of OOCEA c/o (subcontractor name and address).

ALL invoices must be approved by the Subcontractor PRIOR to being forwarded to Clancy & Theys.

Attached you will find a Summary Invoice Letter Authorizing Payment. This summary must be filled out and attached to each batch of invoices. One summary per Purchase Order per batch of invoices.

10. All invoices and delivery tickets must be transmitted to Clancy & Theys. OWNER will not accept any invoices for payment that have not been approved by Clancy & Theys.
11. Final releases will be obtained by the Subcontractor for all material purchases. Original final releases will be forwarded to Clancy & Theys as the Purchase Orders are closed out.
12. If invoices are received directly by Clancy & Theys, they will be forwarded to the Subcontractor for approval. This will delay payment to the Vendor/supplier.
13. THE OWNER will not accept any correspondence that has not gone through Clancy & Theys. In turn, Clancy & Theys will not accept any invoices unless approved by the Subcontractor.

Good record keeping on the part of the Subcontractor and Clancy & Theys will enable the OWNER to process payments in a timely manner.

Attachments to Policy:

OWNER Tax Exempt Certificate
W-9 Taxpayer Identification Number and Certification
Direct Purchase Form
Invoice Summary

PROJECT NAME/Clancy & Theys
Direct Owner Purchase Program
2

**OOCEA Administration and Operations Center
Direct Owner Purchase Program
Subcontractor Acknowledgement**

Clancy & Theys Construction Company

The direct purchase of selected construction materials by the Owner through the issuance of the Owner purchase orders and the subsequent reduction of the Subcontract sum is in no way intended to or shall be construed as modifying or relieving the Subcontractor from any of its obligations under the provisions of the Subcontract, including but not limited to, coordination, performance, protection, storage, scheduling, guarantees and warranties for the materials purchased.

Please sign and return this page with the following completed documents:

- ☐ W-9 Taxpayer Identification Number and Certification
(completed by vendor)
- ☐ Direct Purchase Form

Acknowledged By: _____

Date: _____

Company: _____

Return to: Clancy & Theys Construction Company
2101 Park Center Drive, Suite 150
Orlando, FL 32835
Telephone – 407-579-1449
Facsimile – 407-579-0954

PROJECT NAME/Clancy & Theys
Direct Owner Purchase Program
3

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SHIP TO ORLANDO ORANGE CTY EXPRESSWAY
4974 ORLANDO TOWER ROAD
ORLANDO, FL 32807

BILL TO: ORLANDO ORANGE COUNTY EXPRESSW
525 SOUTH MAGNOLIA AVE
ORLANDO, FL 32801

Special Inst:

[illegible][illegible]

Authorized Signature  Date 10/18/06

Authorized Signature _____ Date _____



ORLANDO ORANGE COUNTY
EXPRESSWAY AUTHORITY
525 S. MAGNOLIA
ORLANDO, FL 32801
(407) 316-3800

DATE
10-10-06

PO NUMBER
610-400-ODP-002

VENDOR:
Atchley Steel Company, Inc.
12505 Highway 280 East
Salem, AL 36874-0039
Attn: David Grunfeld

SHIP TO: Steel Fab, Inc.
c/o Clancy & Theys Construction Co.
4974 ORL Tower Rd
Orlando, FL 32807

PHONE # (334) 298-3121
FAX # (334) 298-3133

BILL TO: ORLANDO ORANGE COUNTY
EXPRESSWAY AUTHORITY
ATTN: ZHA INCORPORATED
4974 ORLANDO TOWER ROAD
ORLANDO, FL 32807-1684
TAX EXEMPT ID: 58-12-096893-52C

Furnish miscellaneous steel, steel stairs and platforms in accordance with Steel Fab Purchase Order No. 23953GA002 dated 6/28/06 attached.

All terms and conditions of the attached Steel Fab purchase order are incorporated herein by reference.

SUBTOTAL: \$91,801.00

FREIGHT Included

TOTAL: \$91,801.00


AUTHORIZED SIGNATURE 10/13/06
DATE

c: Ben Dreiling, OOCEA
Charlotte Brown, OOCEA
Colby Eason, C & T
ODP File

Doc #614

Exhibit 10



INFRASTRUCTURE CORPORATION OF AMERICA
April 3, 2006

Orlando - Orange County Expressway Authority
Attn: Mr. Rod Stroupe
525 S. Magnolia Ave.
Orlando, FL 32801

RE: OOCEA Contract #000055 & #000056 Renewals

Dear Mr. Stroupe:

ICA, Inc. is pleased to offer the following bid for the renewal of OOCEA Contracts #000055 and #000056. This bid includes the addendums to these contracts previously executed through the Authority and the new section of SR 408 between Chickasaw Trail on the east end to Good Holmes Road on the west end. This bid includes the routine and intermediate maintenance as set forth in the existing contracts. The bid term is for a 5-year term starting July 1, 2006 and continuing through June 31, 2011.

Additional operational costs incurred to take over the roadway mileage on SR 408 are inclusive to this bid as well as additional operational costs for the existing SR 429 section.

Operational items taken into account:

- Inflation rate of approximately 3.5% per year
 - Increased fuel costs
 - Increased fertilizer costs
 - Increased material / delivery / service costs
 - Increased subcontractor costs
- Increased guardrail inventory
 - Additional labor and equipment for new guardrail and cable-guard
 - Additional safety equipment
- Increased maintenance due to guardrail installation
 - Mowing costs
 - Herbicide costs
- SR 408 additional roadway mileage
 - Maintenance during construction activity
 - Higher level of service on vegetation
 - Smaller operational areas
- SR 429 facility work
 - Additional electrician and compliment
 - Additional HVAC technician and compliment

Innovative Solutions in Transportation Services

4720 Salisbury Road, Jacksonville, FL 32256 PHONE 904-493-6415 FAX 904-493-6416
WWW.ICA-ORAMP.COM

Page 2
Mr. Rod Stroupe
April 3, 2006

These add-ins were imperative to provide the continued quality service that OOCFA expects from its contractors.

The following bid is further broken out for your convenience:

RENEWAL BID

Total Renewal Bid:	\$33,789,000.00
Renewal Bid Per Year:	\$6,757,800.00

Renewal Bid / Centerline Mile / Year: \$85,650.00 (inclusive of facilities)

ROADWAYS

Bid / Lane Mile / Year:	\$15,115.00
Bid / Centerline Mile / Year:	\$67,394.00

FACILITIES

Bid / Facility / Year: \$21,498.00 (inclusive of all 67 facilities)

Bid / Main Line Plazas / Year: \$28,807.00 (12 main plazas, existing OOCFA office and 2 e-pass offices)

Bid / Ramp Plazas / Year: \$19,389.00 (52 ramp plazas)

Please review and if you have any questions please call me at 904-237-7513.

Sincerely,

Derriek B. Jenkins, P.E.
Regional Manager
ICA, Inc.

CC: Mr. Troy Dover, ICA, Inc.
Mr. Shane Parker, ICA, Inc.
Mr. Hernando Diaz, ICA, Inc.



VIII. COMPLAINT POLICY

When an employee believes that a condition in the employment environment is a hindrance to effective operations, the employee may make suggestions for improvement of such conditions, whether such conditions are the result of co-workers' conduct, supervisors' conduct, Authority policies, inefficiencies, etc. Employees should note that a complaint can be separate from, or in conjunction with, a disciplinary, termination, layoff, or other matter. The Authority's willingness to allow employees to make suggestions for improvement is a courtesy and does not constitute a procedure for appealing any disciplinary, termination, layoff, or other matter, nor does it create any property interest in an employee's job or position.

Any employee who believes he or she has been a victim or the subject of sexual or other harassment, or who believes he or she has witnessed sexual or other harassment, on Authority premises or during the course of work for the Authority, or otherwise by an Authority employee, member, or customer, shall report the incident to his or her supervisor or the next level supervisor, or Human Resources, so that appropriate action may be taken in accordance with this policy, the Sexual and Other Harassment Policy, and state and federal law.

IX. NEPOTISM (EMPLOYMENT OF RELATIVES)

Chapter 112.3135, Florida Statutes, Restriction on Employment of Relatives, is commonly referred to as the "Nepotism Law" for public agencies. It applies to anyone associated with the Authority who has, or has been delegated, the authority to appoint, employ, promote, or advance individuals within the Authority and to anyone having authority to recommend individuals for such appointment, employment, promotion, or advancement within the Authority.

Anyone having the authority described above may not appoint, employ, promote, advance or advocate any of his/her relatives into positions with the Authority. Additionally, anyone having the authority described above, is prohibited from taking such personnel action if the affected individual is a relative of and has been advocated by another employee having such authority or by a public official. Such public official must exercise jurisdiction or control over the Authority beyond mere approval of budget.

"Advocate" means the initiating of any action to recommend, speak in favor of, or intercede on the behalf of another individual's appointment, employment, promotion or advancement to the person(s) responsible for taking such personnel action.

"Relative" is defined in Chapter 112.3135, Florida Statutes as the father, mother, son, daughter, brother, sister, uncle, aunt, first cousin, nephew, niece, husband, wife, father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, stepdaughter, stepfather, stepmother, stepson, stepdaughter, stepbrother, stepsister, half brother or half sister.

An Authority employee may not employ, promote, or advocate for any individual who is a Relative of the employee. An individual may not be appointed, employed, promoted or advanced in or to a position at the Authority if such appointment, employment, promotion or advancement has been advocated by an employee of the Authority who is a Relative of the individual.



The Authority further prohibits the employment of more than one Relative of an employee from working in the same department without proper approval. This rule also prohibits any personnel action which places an employee under the line authority of his or her Relative. In no case may personnel action be taken that would result in an employee or successful applicant's being placed in a position over his or her Relative or that results in direct supervision (being the immediate supervisor, rater or reviewer) over his or her Relative.

X. OUTSIDE EMPLOYMENT

Any employee holding employment outside the Authority must notify his or her supervisor. Outside employment must not conflict in any way with an employee's responsibilities and duties at the Authority. Employees may not use Authority property, supplies, equipment or facilities in connection with outside work and may not conduct outside work while on Authority time or premises. Employees should refer to the Ethics Policy for additional information on conflicts of interest.



ORLANDO - ORANGE COUNTY

525 SOUTH MAGNOLIA AVENUE, ORLANDO, FLORIDA 32801
TELEPHONE (407) 316-3800 • FAX (407) 316-3801 • WWW.OOCEA.COM

October 16, 2007

The Honorable Martha O. Haynie, C.P.A.
Orange County Comptroller
201 South Rosalind Avenue
Post Office Box 38
Orlando, Florida 32802

Dear Comptroller Haynie,

Thank you for conducting a thorough review of our organization. It is clear that your staff devoted an enormous amount of time and resources to provide us with an assessment of our administration and operations. The Authority believes your efforts will ultimately result in a strengthened organization.

It is clear that the Orlando-Orange County Expressway Authority continues to be a key transportation provider for our region. Our 100-mile expressway system - the East-West Expressway (SR 408), Beachline (SR 528), GreeneWay (SR 417), and Western Beltway (SR 429) - serves the metropolitan Orlando area with better, safer, and faster roads.

Federal, state, and local tax-based resources are simply not enough to meet the growing mobility needs of Central Florida. The Orlando-Orange County Expressway Authority will continue to play a key role in anticipating, planning for, and addressing transportation needs in our community.

The Authority has successfully:

- Completed the Western Beltway (SR 429), which serves as an alternative to congested I-4 from Disney to Apopka;
- Converted seven traditional toll plazas to Open Road Tolling, allowing customers to pay their toll at posted highway speeds and improving safety at our plazas; and,
- Achieved a 99.99 percent system accuracy rate for electronic toll collection.

RICHARD T. CROTTY
Chairman

ORLANDO L. EVORA
Vice Chairman

NORANNE B. DOWNS, P.E.
Secretary/Treasurer

ARTHUR J. LEE
Board Member

HARVEY L. MASSEY
Board Member

MICHAEL SNYDER, P.E.
Executive Director

The Honorable Martha O. Haynie, C.P.A.
October 16, 2007
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The Authority is successfully:

- Implementing one of the most aggressive 5-Year Work Plan in OOCEA History, without a toll rate increase (for the last 16 years);
- Widening SR 408, the major arterial east-west road through Orange County;
- Constructing the Maitland Boulevard Extension (SR 414), one of MetroPlan Orlando's highest priority road projects;
- Concluding the Wekiva Parkway Project Developmental & Environmental phase to complete the Western Beltway as an alternative to traveling I-4 to the west;
- Partnering to build the I-4/SR 408 interchange to improve traffic through downtown Orlando; and,
- Conducting five regional concept studies at the request of surrounding counties interested in tapping into the Expressway Authority's expertise and successes.

For the period covered by your audit (FY 2005/2006), OOCEA:

- Processed 294,422,246 toll transactions;
- Collected over \$193 million in toll revenues;
- Served 288,852 active E-PASS accounts and 466,462 active transponders;
- Managed nearly \$840 million in outstanding contracts;
- Spent \$251 million on construction; and,
- Processed 11,620 invoices.

We are proud of our successes. Yet, this process has given us the opportunity to take a fresh look at our administration and operations and identify ways we can improve. We appreciate your perspective and your recommendations. As you note through your report, we have been an evolving organization throughout this process. Your report commends Chairman Crotty and the Expressway Authority for tackling systemic issues quickly and effectively. We have tightened contracting, reformed purchasing, brought legal counsel in-house, opened existing consulting contracts to competition, and added an internal audit function.

We received strong credit ratings and a stable outlook for our \$425 million Series 2007A Revenue Bonds. Standard and Poor, Moody's and Fitch issued credit ratings of A/A-1/A, respectively.

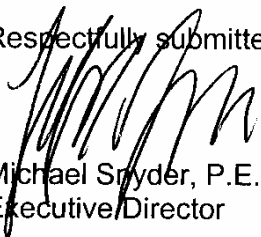
The Honorable Martha O. Haynie, C.P.A.
October 16, 2007
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We are pleased once again to have received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers' Association (GFOA), for our fiscal year 2006 Comprehensive Annual Financial Report (CAFR), which is the highest form of recognition in the area of governmental accounting and financial reporting. Its attainment represents a significant accomplishment by the Authority and its management. The Authority's CAFR was judged by an impartial panel to have met the high standards of the program including demonstrating a constructive "spirit of full disclosure" to clearly communicate its financial story and motivate potential users and user groups to read the CAFR.

Following a thorough review of this audit, we have attached responses to the audit notes and responses to the recommendations. We respectfully request the inclusion of this transmittal letter, our responses to the audit notes, and our responses to the recommendations in your report.

We recognize there is still more to be done. We will continue to implement reforms to administration, operations, policies, and procedures as necessary to ensure we are meeting the expectations of our customers. Our organization was founded on a strong business model. This process has shown us that we need to incorporate a more bureaucratic approach to some of our processes. Our goal is to incorporate that approach without compromising our ability to provide transportation solutions to our community.

Respectfully submitted,



Michael Snyder, P.E.
Executive Director

cc: The Authority Board Members
The Authority Audit Committee