



Construction Contract Review of the Consolidated Rental Car Facility (RAC) at Fort Lauderdale-Hollywood International Airport

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Office of the County Auditor

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EXECUTIVE SUMMARY

The Office of the County Auditor conducted a review of the Managing General Contractor Construction Agreement between Broward County and Cummings-Centex Rooney JV (CCR), for the construction of the Consolidated Rental Car Facility at Fort Lauderdale/Hollywood International Airport (RLI 011501-RB). This review was conducted as part of an on-going effort by our office to assess construction related risk exposures. Our goal was to ensure that an internal control environment exists that is conducive to safeguarding and preserving the County's assets, improving the general effectiveness of operations, and maintaining compliance with contract terms and conditions.

OBJECTIVE

The objectives of the review were to determine if the Managing General Contractor complied with contract terms and provisions regarding:

- Payment to Subcontractors
- Reimbursable General Conditions
- Prevailing Wage Requirements
- Contract Price Elements
- Change Orders
- Insurance Requirements
- Managing General Contractor Incentive Payment

METHODOLOGY

To accomplish our objectives we reviewed:

- The Managing General Contractor Agreement and Addendums
- Pay Applications
- Subcontractor Payments
- Reimbursable General Conditions
- Prevailing Wage Requirements
- Contract Price Element Adjustments Memorandums (CPEAM's)
- Change Orders
- Insurance Requirements
- Managing General Contractor Incentive Payment

In addition to the review of the documents listed above we:

- Conducted interviews with Broward County Aviation Department (BCAD) Airport Expansion Projects staff, Building Code Services, BCAD Facilities Management, URS and the Managing General Contractor for the Consolidated Rental Car Facility project.

- Conducted jobsite visits and a walk-thru of the Consolidated Rental Car Facility with Program Manager's staff.
- Applied other auditing procedures as deemed necessary.

SUMMARY OF RESULTS

Our review disclosed several contract administration and contract compliance issues regarding approval of time extensions, subcontractor agreements, accounting and record keeping. We have included recommendations to strengthen contract administration, implement improvements to future contracts and address our specific findings.

Although this review was limited to the Consolidated Rental Car Facility, many of the issues addressed in this report may also apply to other County agencies that contract for construction services.

OBSERVATIONS

1. **THE MANAGING GENERAL CONTRACTOR RECEIVED AN UNEARNED INCENTIVE PAYMENT BECAUSE OF A TIME EXTENSION INAPPROPRIATELY GRANTED BY THE PROGRAM MANAGER. – page 8**
2. **MANAGING GENERAL CONTRACTOR SALARIES COULD NOT BE VERIFIED AS REQUIRED BY THE CONTRACT. – page 10**
3. **A POTENTIAL CONFLICT OF INTEREST WAS CREATED WHEN THE MANAGING GENERAL CONTRACTOR PURCHASED EQUIPMENT FOR THE PROGRAM MANAGER. – page 11**
4. **THE MANAGING GENERAL CONTRACTOR'S INVENTORY TRACKING SYSTEM IS INADEQUATE TO IDENTIFY ALL OF THE NON-CONSUMABLE ITEMS THAT MUST BE RETURNED TO THE COUNTY AT THE CONCLUSION OF THE PROJECT. – page 12**
5. **DOCUMENTATION REQUIREMENTS ARE NOT ADEQUATE TO SUPPORT SUBCONTRACTOR COMPLIANCE WITH PREVAILING WAGE REQUIREMENTS. – page 13**
6. **THE MANAGING GENERAL CONTRACTOR'S SUBCONTRACT AGREEMENT WITH ONE CERTIFIED SMALL DISADVANTAGED BUSINESS ENTERPRISE (SDBE) REQUIRED SUBSTANTIALLY ALL THE WORK BE PERFORMED BY ANOTHER ENTITY. – page 15**
7. **A SUBCONTRACTOR FAILED TO PROVIDE SUFFICIENT INSURANCE FOR MATERIALS STORED OFF-SITE AS REQUIRED BY THE CONTRACT. – page 17**

We would like to thank the Broward County Aviation Department, Cummings-Centex Rooney JV, URS, Building Code Services, Risk Management, Small Business, Development Division, County Attorney's Office and all other County employees who aided in the completion of this review.

BACKGROUND

CONSOLIDATED RENTAL CAR FACILITY - RAC



Source: jamesacummings.com - February 2005 Aerial

The Consolidated Rental Car Facility (RAC) at Fort Lauderdale-Hollywood International Airport is a \$231,775,876¹ nine story, centrally located concrete structure serving the traveling public and 12 on-site rental car companies. Opened on January 27, 2005, the RAC is easily recognizable by its decorative blue metal grillwork and is conveniently accessible to all airport patrons. Each level of the RAC is approximately ten acres in size and the entire structure can house over

10,000 vehicles.

Level one of the facility is a vehicle service area where rental cars can be cleaned, refueled and prepared for new customers. Accommodations on this level are unique, housing over 120 fueling stations under one roof, requiring a special hazardous occupancy classification by the Building Official. Levels 2 through 5 houses rental car company offices, vehicle storage, and customer service areas. Levels 6 through 9 comprise the Cypress Garage which provides additional parking to airport passengers and customers.

Transportation to and from the terminals is offered by free shuttle bus service, greatly reducing airport traffic. Extensive roadways, ramps and signage provide easy access for drivers and visitors. The Rental Car Center at Hollywood-Fort Lauderdale Airport is the largest combined use facility of its kind.

Due to the unique size and scope of the Consolidated Rental Car Facility, no current building code existed that could be referenced during the design process.² Therefore, an Alternative Method of Compliance was developed by the Designer for this project. On December 9, 2002 (revised January 14, 2003 and September 5, 2003) the Architect of Record submitted a request for Equivalent Alternate Method of Compliance to Broward Building Code Services. As permitted by section 103.7.1 of the Florida Building Code, the Building Official approved the alternate methods proposed by the Designer on February 9, 2004. The alternate methods developed for this project included twenty five (25) safeguards to enhance life-safety features ensuring that the alternate methods are at least the equivalent of that prescribed in the technical code.

¹ Project costs to date include: Construction \$201,678,843; Program Management \$15,757,483; Design \$9,692,014; OCIP \$4,647,536

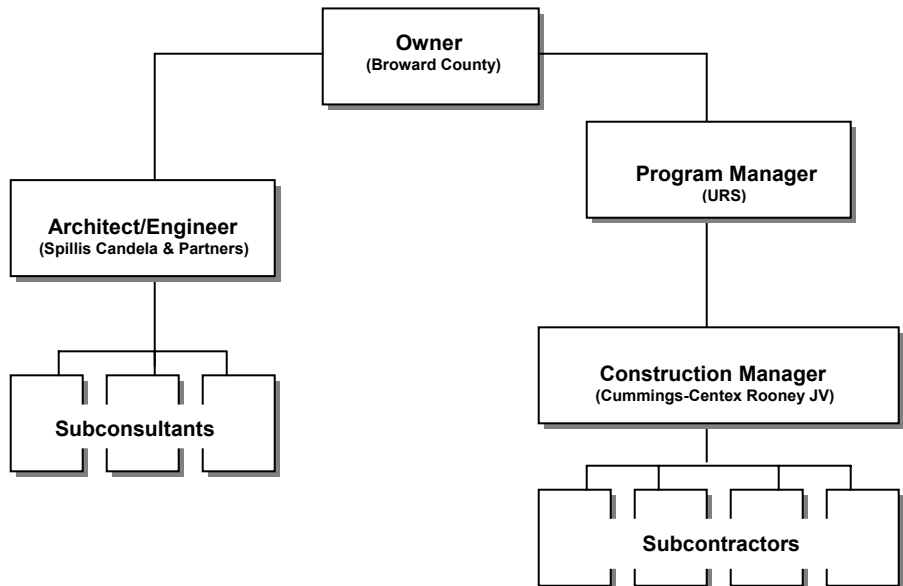
² The 2001 Florida Building Code establishes minimum requirements for permitting, plan review and inspections, establishes accountability for contractors, and provides life-safety guidance in many areas such as the type of fire suppression system and the maximum distance of travel to each exit in order to protect human life.

MANAGING GENERAL CONTRACTOR (a.k.a. CM@RISK) DELIVERY METHOD

The Consolidated Rental Car Facility was constructed using the Managing General Contractor delivery method. The Managing General Contractor agreement is one of three delivery methods commonly used by the County for the timely completion of construction projects. In this delivery method, the Construction Manager, for a fee, provides professional management services and assumes financial responsibility (thereby being at risk) for the project by issuing a Guaranteed Maximum Price (GMP) to the owner. Unlike the other two delivery methods (Lump-Sum and Design-Build) the Construction Manager does not perform the work, but manages the project and provides technical assistance for construction related issues during construction. The Construction Manager oversees the performance of the subcontractors and uses their knowledge and expertise to provide the design team (Architect/Engineer) with estimating, scheduling and constructability information early in the design process.

The CM @ Risk delivery method offers advantages (e.g.: constructability reviews), not available in other delivery methods. In theory, the planning, design and construction activities of a project become integrated tasks within the construction process.³ The goal of integrating activities within the construction process is to create a cooperative (“team”) effort that performs in the best interests of the Owner. As with any contract delivery method, the success or failure of the construction project rests on the ability of the Contract Administrator and Program Manager to properly administer contract terms and provisions.

The following is a graphical depiction of the relationship between various parties involved in the construction of the RAC. The subject of this report is the County’s relationship with the Construction Manager who in turn contracts out directly with the subcontractors and is accountable for their performance.



³ Clough, R.H. & Sears, G.A. (1994). Construction Contracting (sixth edition). Canada: John Wiley & Sons, Inc.

The key parties in the CM @ Risk process are:

- The County, as Owner, is the instigating party for whose purposes the construction project is designed and built.⁴
- The Architect/Engineer, also known as the design professional or the professional of record, is the organization contracted by the County to provide design services for the project.⁵
- The Subconsultants are contracted by the Architect/Engineer and perform the work for their respective disciplines.
- The Program Manager acts as an extension of the Broward County Aviation Department and provides overall technical and management services to assist the Owner in maintaining schedules, establishing budgets, controlling costs, achieving quality and minimizing operational disruptions.⁶
- The Construction Manager or Managing General Contractor is the company or corporation contracted by the County to construct the project and provide technical assistance for construction related issues.
- The Subcontractors, perform the work as contracted by the Construction Manager (Managing General Contractor).

⁴ Clough, R.H. & Sears, G.A. (1994). *Construction Contracting* (sixth edition). Canada: John Wiley & Sons, Inc.

⁵ Id

⁶ Article 6.1 of the Consolidated Rental Car Facility MGC-at-Risk General Provisions

1. THE MANAGING GENERAL CONTRACTOR RECEIVED AN UNEARNED INCENTIVE PAYMENT BECAUSE OF A TIME EXTENSION INAPPROPRIATELY GRANTED BY THE PROGRAM MANAGER.

OBSERVATION

A review of the supporting documentation for the time extension request via Change Order 101 revealed that the Managing General Contractor was inappropriately granted six (6) days of the fourteen (14) day requested extension. As a result of this time extension, the Contractor was able to meet the revised Early Completion Date of January 12, 2005, thus receiving a \$300,000 early completion incentive bonus.

BACKGROUND

According to the terms of the Managing General Contractor agreement, non-compensable excusable delays due to hurricane or inclement weather conditions are allowable, provided that the Managing General Contractor:

- Submits written notice to the Program Manager within seven (7) calendar days of an event that such an event has occurred.
- Submits additional notices within twenty (20) days following the original notice providing the nature and elements of the claim, with supporting data.
- Was unable to “productively perform controlling items of work...resulting in (1) CONTRACTOR being unable to work at least fifty (50%) of the normal workday on controlling items of work identified on the accepted schedule or updates due to adverse weather conditions;...” (Article 12.3.3 of the General Provisions)

Based on the Certificate of Substantial Completion for Early Completion Area executed in February 2005 by the Consultant, Program Manager and Contractor, the work was considered substantially complete at 12:01 am, January 12, 2005. Approved Change Order 101, granted a fourteen (14) day, non-compensable excusable time extension, adjusting the Early Completion Date from December 29, 2004 (782 calendar days) to January 12, 2005 (796 calendar days).

It is also noted that the Change Order Panel (COP) Meeting Minutes from October 13, 2004 stated that the Managing General Contractor requested a ten (10) day time extension for hurricane impact. The COP agreed with the Managing general Contractor’s request and directed that the change order be prepared for BCAD consideration and approval. In addition, a subsequent letter from the Program Manager to the Managing General Contractor dated October 25, 2004 stated “we are recommending to BCAD to extend the contract duration by 10 calendar days to compensate for the lost time due to Hurricane Frances and Jeanne...We are willing to reconsider our decision if CCR can demonstrate with sufficient evidence that at least 50% of the normal workday on controlling items of work as defined in Article 12” was lost due to inclement weather. The Program Manager reported that no

response was made to this request by the Managing General Contractor and no additional information was provided to our office to support the additional four days granted via Change Order 101, however the fourteen day time extension was approved by the Program Manager.

Our review of the documentation for the time extension under Change Order 101 supports only eight of the fourteen days granted as summarized below.

Time Extension Analysis Summary			
Storm	# Days Requested	# Days Supported	# Days Not Supported
Hurricane Frances	6	5	1
Hurricane Ivan	4	0	4
Hurricane Jeanne	4	3	1
Total	14	8	6

Appendix A on page 19 provides a detailed time extension analysis for Hurricanes Frances, Ivan and Jeanne.

RECOMMENDATIONS

We recommend that the Board direct the County Administrator to seek reimbursement for the \$300,000 early completion incentive bonus from the Program Manager and strengthen the review procedures for non-compensable excusable delays and require adequate supporting documentation prior to approval.

2. MANAGING GENERAL CONTRACTOR SALARIES COULD NOT BE VERIFIED AS REQUIRED BY THE CONTRACT.

OBSERVATION

A review of the schedule of Contractor's Management Personnel costs included in Addendum 1 revealed that salaries for management personnel were billed to the project in monthly lump sum amounts consistent with Exhibit 2.1 Schedule of Job Classifications. However, Exhibit 2.1 also indicates that "staffing levels will be verified by the Program Manager". Since the Managing General Contractor did not provide sufficient supporting detail (ie: number of hours and hourly rates) with the pay applications, the actual labor costs for staffing levels maintained by the Managing General Contractor cannot be verified as required by the contract.

BACKGROUND

Exhibit 2.1 Schedule of Job Classifications, Contractor's Management Personnel included in Addendum 1 identifies \$7,622,452 of lump sum salaries for all management personnel assigned to the project. The listing includes the job classification titles and monthly salary amounts for 34 billing cycles throughout the term of the project; base salaries are increased 5% annually. Staffing levels are subject to verification by the Program Manager and changes in net staffing levels (increase or decrease) can be authorized through CPEAMs.

RECOMMENDATIONS

We recommend that for all future Managing General Contractor Agreements where staffing levels are subject to verification, the Board direct the County Administrator to require the Managing General Contractor to submit monthly supporting documentation demonstrating hourly wages paid to management personnel, as well as actual hours worked on the project. This documentation is especially important in the case of management personnel who apportion their time between multiple projects.

3. A POTENTIAL CONFLICT OF INTEREST WAS CREATED WHEN THE MANAGING GENERAL CONTRACTOR PURCHASED EQUIPMENT FOR THE PROGRAM MANAGER.

OBSERVATION

The first GMP Addendum to the construction agreement included a general condition budget item for “all furnishings and equipment required for the Program Manager’s temporary office trailer.” As of June 25, 2005, Program Manager furniture and equipment expenditures totaled \$135,100. In accordance with the agreement, all general condition expenditures are subject to a 3.85% contractor’s fee. Applying the 3.85% to the \$135,100 expended generates \$5,201 in fees for the Managing General Contractor.

Currently, all purchases made by the Managing General Contractor are approved by the Program Manager including purchases made on the Program Manager’s behalf. Having the same entity request and approve purchases indicates a lack of segregation of duties which can lead to potential conflicts of interest.

BACKGROUND

Item 34 of Exhibit 6 Qualifications and Clarifications of the first GMP Addendum included a budget amount in the General Conditions for all furnishings and equipment required for the Program Manager’s temporary office trailer.

RECOMMENDATIONS

We recommend that the Board direct the County Administrator to discontinue the practice of allowing a Program Manager to purchase equipment using funding from a Managing General Contractor’s agreement to avoid unnecessary construction manager fees and potential conflicts of interests.

All future contracts should require the Program Manager to make furniture and equipment purchases through their own expenditure accounts. This change in business practice will result in improved oversight and help provide an accurate representation of Program Manager and/or Managing General Contractor expenditures.

4. THE MANAGING GENERAL CONTRACTOR'S INVENTORY TRACKING SYSTEM IS INADEQUATE TO IDENTIFY ALL OF THE NON-CONSUMABLE ITEMS THAT MUST BE RETURNED TO THE COUNTY AT THE CONCLUSION OF THE PROJECT.

OBSERVATION

A review of the August 17, 2005 office inventory list maintained by the Managing General Contractor for items not consumed during the project revealed that the tracking information provided was minimal and did not adequately identify the items purchased with County funds. Although an inventory list is required by the Managing General Contractor agreement, the current office inventory list does not include essential information such as the product identification number (ID #), description, cost, date of purchase, serial and/or model number, manufacturer or location for most of the items listed. Without this information the reconciliation of inventory items at the end of the project cannot be satisfactorily conducted.

BACKGROUND

Article 17.1.3 of the General Provisions states that all materials for which the Managing General Contractor is reimbursed that are not consumed during the Project shall become the property of the County at the conclusion of the project. In addition, a note to Exhibit 4.2 of the contract states that the Contractor agrees to provide and periodically update an inventory list to the Contract Administrator.

RECOMMENDATIONS

We recommend that the Board direct the County Administrator to:

- Strengthen controls over non-consumable inventory items that are to be returned to the County at the end of this project. Each inventory item should be tracked on a cumulative list and updated monthly using common asset tracking elements including: product identification number (ID #), description, cost, date of purchase, serial and/or model number, manufacturer, location, and date of return or other disposition.
- Modify the standard County contract language for contractors who acquire and turn over inventory to the County at the end of a project to incorporate common assets tracking elements.
- Establish procedures for notification of the County's Fixed Asset Section when purchases greater than \$1,000 are received so that a County asset number can be assigned and a bar coded tag attached to the item.

5. DOCUMENTATION REQUIREMENTS ARE NOT ADEQUATE TO SUPPORT SUBCONTRACTOR COMPLIANCE WITH PREVAILING WAGE REQUIREMENTS.

OBSERVATIONS

As part of our review, we requested payroll details for May and June 2005 and August 2004 from eight subcontractors working on the RAC. Wage and fringe benefit amounts were compared to Department of Labor Wage Determination FL020009 (superseded General Decision No. FL010009) as required by the subcontractor agreements. The labor/wage classifications listed in FL020009 did not include all labor categories on this project. This lack of detail greatly impacts the ability of the Managing General Contractor to determine prevailing wage compliance. It is important to note that our tests of subcontractor payroll records for the limited labor/wage classifications contained in Labor Wage Determination FL020009 indicates that the subcontractors complied with the prevailing wage requirements for the listed positions.

In addition, a review of prevailing wage requirements for ten subcontractors revealed that the Managing General Contractor did not maintain copies of contract Form 2, Statement of Compliance. Although the Managing General Contractor affirms that the Statements of Compliance were submitted with each subcontractors' monthly pay requisition, they were unable to locate copies of these statements. Consequently, it was necessary for the Managing General Contractor to contact each subcontractor and re-request their certification statements.

In the absence of detailed labor classifications and the Managing General Contractor's failure to maintain the subcontractors' Statement of Compliance, the County received monthly pay applications without sufficient supporting documentation to ensure that laborers were being paid amounts equal to or above comparable wage designations. Therefore, neither the Managing General Contractor nor the County can be certain that all laborers are being paid accordingly.

BACKGROUND

Article 35 of the General Provisions states "This Contract involves construction work in excess of Two Hundred Fifty Thousand Dollars (\$250,000.00), therefore Broward County Ordinance No. 83-72, as may be amended from time to time, applies to such construction work; and further CONTRACTOR shall fully comply with the requirements of such ordinance and shall satisfy, comply with, and complete the requirements set forth in Form 2. The applicable wage rates shall be established at the time of the first GMP Addendum to the Contract."

Article 35 also requires the Managing General Contractor to submit to the County contract Form 2, Statement of Compliance (Prevailing Wage Ordinance No. 83-72), with each monthly pay application. This statement affirms that "all mechanics, laborers and apprentices, employed or working on the site of the Project have been

paid at wage rates...required by Broward County Ordinance 83-72 and the applicable conditions of the contract". The Managing General Contractor included the same reporting requirement in each of their subcontractors' agreements.

Broward County Ordinance refers to prevailing wage rates as established by the Federal Register for Broward County. GMP Addendum 1, qualified FL010009, Modification 3, dated July 5, 2002 as the appropriate wage scale for this project. FL 020009 includes minimum wage and fringe benefit requirements for several construction labor categories. However, on a project of this size and scope, specialized construction services were performed that were not addressed in the wage determination. Furthermore, minimum compensations for apprentice and foreman levels of each laborer category are not provided. If this project was federally funded, the U.S. Department of Labor, Wage and Hour Division would be able to provide assistance and guidance in developing determinations for these omitted categories; however, in this instance such recourse was not available.

RECOMMENDATIONS

We recommend that the Board direct the County Administrator to clarify and strengthen the Broward County Code, Section 26-5 regarding the rate of wages and fringe benefits to be paid on County construction projects (formerly Ordinance No. 83-72). The clarifications for this code should provide specific guidance for County contracting agencies. At a minimum, the contracting agency should:

- Establish a procedure for identifying all necessary/required job classifications prior to the start of construction.
- Ensure that all job classifications and appropriate wage and fringe benefits are clearly identified prior to the award of subcontracts.
- Require the submission of certified payroll documentation to ensure prevailing wage compliance.
- Ensure that the Managing General Contractor obtains and retains Statements of Compliance and other documentation necessary to support payment of prevailing wages by all subcontractors.

6. THE MANAGING GENERAL CONTRACTOR'S SUBCONTRACT AGREEMENT WITH ONE CERTIFIED SMALL DISADVANTAGED BUSINESS ENTERPRISE (SDBE) REQUIRED SUBSTANTIALLY ALL THE WORK BE PERFORMED BY ANOTHER ENTITY.

OBSERVATION

On August 8, 2003 the Managing General Contractor entered into a subcontract agreement (RC3-09-205-100S-21089) with TLMC Enterprises, Inc. (TLMC), a County certified Small Disadvantaged Business Enterprise (SDBE) vendor, for various items of work on this project.⁷ Additional Provision (N) of the subcontract agreement for TLMC requires that the work be performed by Lotspeich Company of South Florida (Lotspeich), a non certified SDBE vendor for the lump sum amount of \$2,002,039 from the original \$2,108,627 contract sum. Furthermore, the subcontract agreement does not specify a deliverable for TLMC for the remaining contract balance of \$106,598.

The Managing General Contractor has stated that this arrangement was created to provide mentoring services to TLMC by Lotspeich. Ten (10) subcontracts were examined during this review and this provision was found to be unique to this subcontractor. No evidence of such a partnership or policy was produced by the Managing General Contractor, nor does the CM @ Risk contract contain any references to support mentoring arrangements of this type. Furthermore, the Managing General Contractor entered into a direct subcontracting agreement with Lotspeich one month later on September 10, 2003. Lotspeich's own certification as a women's minority vendor expired in early 2003.

Exhibit 4 Minority Subcontractor Analysis demonstrates current SDBE participation levels based on information gathered from the Managing General Contractor's July 11, 2005 SDBE Report, covering contract activity through June 25, 2005. While attaining the overall minority participation goal of 21%, the women's minority business goal of 5% would not be met by the Managing General Contractor without the inclusion of contract dollars awarded in this subcontract.

⁷ Building Insulation, Firestopping, Metal Furring and Lathing, Portland Cement and Stucco, Gypsum Board Assemblies, Gypsum Board Shaft-Wall Assemblies, and Metal Plank Ceilings

Exhibit 4: Minority Subcontractor Analysis		
	Current SDBE Report	Excluding TLMC/ Lotspeich Agreement
\$ Paid to all SDBE Subcontractors	\$37,079,056	\$34,972,459
% of Total Contract \$ Paid to all SDBE Subcontractors	25.5%	24.1%
\$ Paid to Women SDBE Subcontractors	\$7,564,100	\$5,457,503
% of Total Contract \$ Paid to Women SDBE Subcontractors	5.2%	3.8%

BACKGROUND

Article 51.3 of the General Provisions contains SDBE participation goals for this project. The overall minority participation goal is 21%, with 5% of the project funds to be awarded to women’s business enterprises.

RECOMMENDATION

We recommend that the Board direct the County Administrator to require Prime Contractors to clearly define the role of each entity in subcontractor agreements and specifically identify all subcontractor deliverables within the scope of services, including mentoring arrangements.

7. A SUBCONTRACTOR FAILED TO PROVIDE SUFFICIENT INSURANCE FOR MATERIALS STORED OFF-SITE AS REQUIRED BY THE CONTRACT.

OBSERVATION

A review of documentation submitted by four (4) subcontractors who stored materials off-site, revealed that one (1) subcontractor failed to maintain adequate insurance coverage for purchased materials. As a result, the subcontractor was underinsured by up to \$505,228 for the period from July 2003 through January 2004. Exhibit 5 below details the dollar value of materials purchased, utilized, insured and underinsured for the subcontractor's payment requests 1-13.

Exhibit 5: Subcontractor Insurance Analysis						
Sub Pay Req	Date New Materials Purchased	\$ Value of Materials Purchased	\$ Value of Materials Utilized	Total \$ Value of Materials Stored Off-Site	\$ Value of Insurance	\$ Value Uninsured
1	4/23/03	\$104,006	\$0	\$104,006	\$105,000	\$0
2	5/16/03	\$97,705	\$0	\$201,711	\$300,000	\$0
3	7/21/03	\$120,893	\$0	\$322,604	\$300,000	\$22,604
4	8/20/03	\$336,347	\$0	\$658,951	\$300,000	\$358,951
5	9/15/03	\$119,095	\$0	\$778,046	\$300,000	\$478,046
6	10/17/03	\$83,509	\$56,327	\$805,228	\$300,000	\$505,228
7	n/a	\$0	\$200,275	\$604,953	\$300,000	\$304,953
8	12/17/03	\$127,876*	\$32,640	\$700,189	\$300,000	\$272,313
9	1/15/04	\$17,642*	\$0	\$717,831	\$300,000	\$272,313
10	n/a	\$0.00	\$681,572.00	\$36,259	\$300,000	\$0
11	n/a	\$0	\$0	\$36,259	\$300,000	\$0
12	n/a	\$0	\$20,058	\$16,201	\$300,000	\$0
13	n/a	\$0	\$16,201	\$0	\$0	\$0

Note: * The final two purchases made by the subcontractor were insured by the storage facility and are not included in the \$ Value of Uninsured.

Information in this table is based on the subcontractor's Certificates of Insurance (COI) submitted with the Managing General Contractor's payment requests and interviews with the subcontractor's insurance agent. It is noted that the subcontractor submitted five COI's to the Managing General Contractor showing that insurance was obtained for each material purchase. However, the insurance agent stated that the total amount of insurance coverage purchased by the subcontractor, for property owned by other parties, was \$300,000. The agent further stated that, at the owner's request, multiple certificates in dollar amounts below the maximum coverage limit can be generated. The Managing General Contractor's Payment Requests included certificates issued at the time of the individual purchases; however, the certificates issued did not represent new policies obtained for each purchase, but instead represented portions of the single \$300,000 policy.

BACKGROUND

Article 6.4 of the Agreement states "...Materials stored off-site must be supported by a detailed invoice, bill of sale (transferring ownership to the COUNTY) and insurance certificate naming the COUNTY as additional insured equal to or exceeding the cost of the material so acquired."

RECOMMENDATION

We recommend that the Board direct the County Administrator to strengthen procedures for the review of subcontractor insurance coverage for materials stored off-site. The County should ensure that subcontractors submit proof of insurance for the total value of all materials stored as required by the contract.

APPENDIX A – Detailed Time Extension Analysis

The dates referenced for Hurricanes Frances, Ivan and Jeanne, in the Tables below were obtained from the National Weather Service (NWS) web page <http://www.nhc.noaa.gov/2004atlan.shtml>.

Hurricane Frances

Notice of this storm event, including the nature of the claim was submitted by the Managing General Contractor to the Program Manager in a timely manner on September 9, 2004. As noted in Exhibit 1 below, storm preparations on September 2 are clearly documented in both the Contractor’s and Program Manager’s daily work logs. Pending storm activity and inclement weather conditions were present September 3, 4, and 5, with power being restored to the site on September 6.

On September 7, extensive project work was documented by both the Contractor and Program Manager in their respective daily work logs. Minimal references are made to hurricane remobilization activities. The Contractor’s claim of being unable to perform at least 50% of the work for this date is not supported by daily work logs.

Table 1: Hurricane Frances Time Extension Analysis				
Date Claimed	NWS Watch and Warning Status	CCR Daily Work Log Details	URS Daily Work Log Details	Claim Supported
9/2/2004 Thursday	Hurricane Watch 3:00 am; Hurricane Warning 3:00 pm	Some work documented, majority of on site contractors documented as preparing for hurricane.	Although some work continued, majority of on site contractors were documented as preparing for hurricane.	Yes
9/3/2004 Friday	Hurricane Warning	Jobsite closed due to Hurricane Frances.	Daily Work Log documents site as shut down, with 4 of 25 contractors continuing preparation for the hurricane.	Yes
9/4/2004 Saturday	Hurricane Warning	No log created for this date.	Daily Work Log entries document no activity.	Yes
9/5/2004 Sunday	Tropical Storm Warning 9:00 am; All Warnings Discontinued 9:00 pm	No log created for this date.	No log created for this date.	Yes
9/6/2004 Monday, Labor Day	All Warnings Discontinued	CCR toured site with Fisk Electric (subcontractor); power restored to site at 10:00 am.	Daily Work Log notes no work performed due to Labor Day holiday.	Yes
9/7/2004 Tuesday	All Warnings Discontinued	26 subcontractors on site, with 243 workers. Project work significantly documented. No individual subcontractor entries indicate hurricane demobilization activities, summary entry notes "Demobilize jobsite from hurricane protection. Back to work."	Extensive work on project documented; 17 contractors performed extensive work; 1 contractor noting hurricane remobilization activity.	No

Hurricane Ivan

The Contractor’s four (4) day time extension request for this storm is unsubstantiated. Notice of an event or its impact on the completion of the project was not submitted in a timely manner. Although the final date included in the time extension request is September 13, 2004, no written notice of this event was submitted until thirty (30) days later on October 13, 2004. The letter submitted on this date briefly summarizes the request for all three storms, but does not offer substantial information regarding the loss of work for this storm. A letter from the Program Manager to the Managing General Contractor dated October 25, 2004 notes that their records indicate that “there was very little lost time due to Hurricane Ivan”, with most workers present over one half of the day on Friday, September 10 and work resuming as normal on Monday September 13. The letter asks the Managing General Contractor to provide sufficient evidence of lost work. The Program Manager reported that no response was made to this request. It is also noted in the Change Order Panel Meeting Minutes for October 13 that the Managing General Contractor was only requesting a time extension of ten (10) days for Hurricanes Frances and Jeanne.

Exhibit 2 below details the work documented as completed during this time frame. It is also of note that at no time did the National Weather Service issue a watch or warning for the South Florida area. All four (4) days of the time extension granted for this storm are unsupported.

Table 2: Hurricane Ivan Time Extension Analysis				
Date Claimed	NWS Watch and Warning Status	CCR Daily Work Log Details	URS Daily Work Log Details	Claim Supported
9/10/2004 Friday	No Watch or Warning Issued	29 subcontractors on site, with 291 workers. Project work extensively documented. One subcontractor documented as preparing for hurricane, although summary notes indicate that all made preparations.	Minor preparations for hurricane noted by 4 of 27 on-site contractors.	No
9/11/2004 Saturday	No Watch or Warning Issued	10 subcontractors on site, with 91 workers. Project work ongoing. Two subcontractors documented as preparing for hurricane, although summary note indicates that preparations were being made for hurricane.	No log created for this date.	No
9/12/2004 Sunday	No Watch or Warning Issued	No log created for this date.	No log created for this date.	No
9/13/2004 Monday	No Watch or Warning Issued	25 subcontractors on site, with 253 workers. Project work extensively documented. No individual subcontractor or summary entries indicate hurricane demobilization activities.	Extensive work on project documented; 20 contractors documented as working on project.	No

Hurricane Jeanne

Notice of this storm event, including a summary of the claim was submitted in a timely manner on October 1, 2004. Exhibit 3 below compiles information gathered for Hurricane Jeanne and the four day time extension request of September 24-27, 2004. Minor preparedness activities occurred on September 24, with Hurricane Warnings remaining in effect on September 25 and 26. However, daily work logs document significant project activity occurring on September 27. The contractor's claim for loss of 50% of scheduled work on this date is unsupported.

Table 3: Hurricane Jeanne Time Extension Analysis

Date Claimed	NWS Watch and Warning Status	CCR Daily Work Log Details	URS Daily Work Log Details	Claim Supported
9/24/2004 Friday	Hurricane Watch 9:00 am; Hurricane Warning 9:00 pm	26 subcontractors on site, with 285 workers Project work extensively documented. One subcontractor documented as preparing for hurricane, although summary notes indicate that preparations were being made for hurricane by all subcontractors.	Minor preparations for hurricane noted by 6 of 22 on-site contractors performing work on this date.	Yes
9/25/2004 Saturday	Hurricane Warning	11 subcontractors on site, with 59 workers. Some project work completed. 7 subcontractors documented as preparing for hurricane, summary notes also detail hurricane preparations.	No log created for this date.	Yes
9/26/2004 Sunday	Hurricane Warning Discontinued 1:00 pm	No log created for this date.	No log created for this date.	Yes
9/27/2004 Monday	Hurricane Warning Discontinued	28 subcontractors on site, with 274 workers. Project work extensively documented. One individual subcontractor documented as demobilizing jobsite; summary entry indicates hurricane demobilization.	23 contractors performing extensive work on project; no entries document any hurricane clean up or remobilization activities.	No