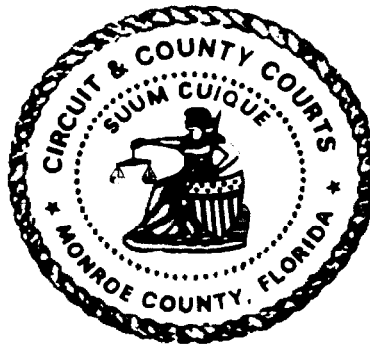


**AUDIT REPORT OF MONROE COUNTY
AGREEMENT BETWEEN THE COUNTY
AND CONSTRUCTION MANAGER, THE
MORGANTI GROUP, INC., FOR THE KEY
WEST INTERNATIONAL AIRPORT – NEW
TERMINAL BUILDING AND
RENOVATION PROJECT**

May 9, 2008



Prepared by:
Internal Audit Department
Clerk of the Circuit Court
Danny L. Kolhage, Clerk
Monroe County, Florida

**AUDIT REPORT OF MONROE COUNTY
AGREEMENT BETWEEN THE COUNTY AND
CONSTRUCTION MANAGER, THE MORGANTI
GROUP, INC., FOR THE KEY WEST
INTERNATIONAL AIRPORT – NEW TERMINAL
BUILDING AND RENOVATION PROJECT**

TABLE OF CONTENTS

	<u>Page</u>
I. OBJECTIVES AND SCOPE	1
II. METHODOLOGY	1-2
III. BACKGROUND INFORMATION	3-7
IV. AUDIT CONCLUSIONS	8-11
V. AUDIT FINDINGS	
A. MARKET ANALYSIS	
1. MGI did not provide the Construction Market Analysis and Prospective Bidders Report in a timely manner.	12
B. ESTIMATES	
2. MGI's Design Document (DD) estimate was not submitted to the County in a timely manner.	13
3. MGI's Completed Documents (CD) estimate was not submitted to the County in a timely manner.	14
4. MGI's did not provide the County with Construction Documents Estimates (CDE).	15
C. GUARANTEED MAXIMUM PRICE (GMP)	
5. MGI did not complete the GMP in a timely manner.	16
6. GMP Clarification and Assumption #34 effectively nullifies the basic premise of a GMP.	17

GUARANTED MAXIMUM PRICE (GMP) - Continued

7. Allowances of \$714,651 are included within the GMP. 18-19
8. MGI did not correctly establish a contingency amount and did not provide supporting documentation requested by the auditors for setting the contingency amount at zero (0). 20-21
9. MGI did not obtain the required written approval for bids that are 2% above the applicable line item in the GMP. 22
10. MGI is not increasing the construction contingency for items that are less than the GMP amount. 23
11. MGI and the County did not provide any detailed reporting that tracks cost reducing alternates and value engineering items. 24
12. The GMP's summary "Cost reducing alternates (as of 11/09/06)" line does not reconcile to the GMP's detailed estimate of direct cost items line called "Alternates & VE items". 25
13. The GMP's summary "General conditions (reimbursable expenses)" line does not reconcile to its supporting documentation. 26

D. SOLICITATION OF BIDS

14. Bid package #1's last advertisement does not appear at least twenty-one (21) calendar days prior to the established bid opening date and at least five (5) days prior to any scheduled pre-bid conference. 27-28
15. Bid package #1A did not meet the contractual requirement of advertising. 29
16. Bid package #2's last advertisement did not appear at least twenty-one (21) calendar days prior to the established bid opening date. 30-31
17. Bid package #3's last advertisement appearing at least twenty-one (21) calendar days prior to the established bid opening date. 32
18. MGI has not provided any information that pre-bid conferences took place for bid packages #1, #1A, and #2. 33
19. MGI has not provided any log in sheets for bids received for bid packages #1, #1A, and #2. 34
20. MGI did not solicit bids for work done on auger cast piles #1 through #202. 35

E. SUB-CONTRACTOR BIDS

21. There is no executed agreement with sub-contractor American Foundation Corp. for work scope 3A – Auger Cast Piles. 36
22. MGI has not provided any pre-qualification information for applicable sub-contractors. 37
23. MGI did not provide experience questionnaires and financial statements for sub-contractors where bids exceeded \$200,000. 38-39
24. None of MGI's bid tabulation packets sampled by the auditor contained bid/award summaries. 40
25. Bids were received and accepted after bid due dates. 41-42
26. MGI's bid tabulation sheet for work scope 9D – Acoustical Ceilings/Wall Panels did not contain the supporting documentation for the sub-contractor Acousti Engineering Co of Fl.'s bid of \$644,145. 43
27. There was no bid information provided for two (2) out of the three (3) sub-contractors listed on MGI's bid tabulation sheet for work scope 15A-Plumbing. 44
28. Work scope 15C-HVAC's bid tabulation sheet appears to have a lower bidder than the bidder who was awarded the agreement. 45
29. One bidder that was awarded a contract was able to change their bid after submittal and there was no documentation showing that the other responding bidders were given the same opportunity. 46
30. For several sub-contractors who were awarded contracts, the bid and agreement amounts are different. 47-48
31. There was only one proposal received for additional work on scope 5A-Steel. 49
32. There was only one proposal received for work scope 5B-Expansion Joint Covers. 50
33. There were no proposals obtained for earthwork testing, concrete testing, auger logs, and weld inspections. 51
34. Eight (8) of the thirteen (13) sampled sub-contractors had commenced work prior to having an executed agreement in place. 52-53
35. Some of MGI's sub-contractors are sub-contracting out work at the Key West International Airport. 54-55

SUB-CONTRACTOR BIDS - Continued

- 36. MGI did not have all of the required sub-contractors provide the mandatory performance, labor and material payment bonds. 56-57
- 37. MGI did not follow the required bonding process when excluding sub-contractor bond coverage. 58-59

F. DISADVANTAGE BUSINESS ENTERPRISE (DBE)

- 38. MGI did not provide the Proposed Disadvantage Business Enterprise (DBE) Utilization Form and DBE Identification Form in a timely manner. 60
- 39. MGI did not properly complete the Proposed DBE Utilization Form for four (4) DBE Firms and the DBE Identification Form for Florida Keys Electric, Inc. 61
- 40. MGI did not complete the DBE Identification Form for three (3) of the sub-contractors on the Proposed DBE Utilization Form. 62
- 41. MGI did not provide the DBE Payment Certification Form for Florida Keys Electric, Inc. and GO Fence, Inc. in a timely manner. 63
- 42. The DBE Expenditure Report for Florida Keys Electric, Inc. contains errors/misstatements. 64

G. PROJECT MANUAL

- 43. MGI did not include copies of any subcontract in the project manual. 65

H. PROJECT MANAGEMENT INFORMATION SYSTEM (PMIS)

- 44. MGI did not include the required construction contingency in the monthly PMIS reports. 66
- 45. MGI did not provide the monthly PMIS reports in a timely manner. 67
- 46. MGI did not provide the Cost Status Report with PMIS Reports numbered one (#1) through thirteen (#13). 68
- 47. MGI did not provide PMIS reports with the first six (6) pay requests. 69

I. INSURANCE

- 48. MGI's Certificate of Liability Insurance is incomplete. 70

VI. EXHIBITS

- A. Agreement**
- B. Notice to Proceed**
- C. Construction Market Analysis & Perspective Bidders Report**
- D. Guaranteed Maximum Price (GMP)**
- E. GMP Price Summary & Estimate Summary**
- F. GMP General Conditions**
- G. BID Package #1**
- H. Ads for Bid Package #1**
- I. Bid Package #1A**
- J. Bid Package #2**
- K. Ads for Bid Package #2**
- L. Ad for Bid Package #3**
- M. Bid Tab 3A Auger Cast Piles**
- N. JLU Subcontract Agreement**
- O. MGI Subcontract Agreement**
- P. Harkness 11/28/07 Email American Foundation**
- Q. MGI Project Manual, 3.5 Bid Recommendation**
- R. Duarte Contracting & Management Bid Date**
- S. Toppino & Sons Bid Date**
- T. Ebsary Foundation Bid Date**
- U. Affordable Asphalt Bid Date**
- V. Advantage Steel Bid Date**

EXHIBITS – Continued

- W. 9A, Interior Details Bid Date**
- X. 9D, Interior Details Bid Date**
- Y. Terry L. Tidwell Plumbing Bid Date**
- Z. Stokes Mechanical & Hyvac Bid Dates**
- AA. Bid Tab 9D**
- AB. Bid Tabulation Sheet 15A – Plumbing**
- AC. Bid Tabulation Sheet, 15C-HVAC**
- AD. Superior Mechanical Bid**
- AE. Trinity Fabricators Bid**
- AF. Trinity Fabricators Agreement**
- AG. Concepts Plus Bid**
- AH. Concepts Plus Agreement**
- AI. Capital Waterproofing Bid**
- AJ. Capital Waterproofing Agreement**
- AK. McAlhany Construction Bid**
- AL. McAlhany Construction Agreement**
- AM. Interior Details Bid**
- AN. GMP 9D Acoustic Ceilings/Walls**
- AO. Superior Mechanical Agreement**
- AP. MGI-Toppino Sub-Contractor Agreement**
- AQ. GMP 2G**
- AR. Require Bond Coverage**
- AS. Bond Exclusions**

EXHIBITS – Continued

AT. 05/03/06 Letter to MGI by Peter Horton

AU. 04/20/2007 DBE Transmittal from MGI to Montgomery Consulting

AV. DBE Utilization Form

AW. DBE Identification Form

AX. PMIS #8, Construction Progress Report

AY. GO Fence DBE Payment Certification

AZ. FL Keys DBE Payment Certification

AAA. FL Keys DBE Expenditure Form

AAB. PMIS Received Dates

AAC. Certificate of Liability Insurance

VII. AUDITEE RESPONSES

**AUDIT REPORT OF MONROE COUNTY
AGREEMENT BETWEEN THE COUNTY AND
CONSTRUCTION MANAGER, THE MORGANTI
GROUP, INC., FOR THE KEY WEST
INTERNATIONAL AIRPORT – NEW TERMINAL
BUILDING AND RENOVATION PROJECT**

I. OBJECTIVES AND SCOPE

At the request of the Monroe County Clerk of the Circuit Court, the Internal Audit Department has completed an audit of the Agreement between the County and Construction Manager, The Morganti Group, Inc. (MGI), for the Key West International Airport – New Terminal Building and Renovation Project. Exhibit A – Agreement. The audit objectives were to assess compliance with the Agreement's provisions.

II. METHODOLOGY

A. We interviewed the following personnel to obtain information about the Agreement between the County and The Morganti Group, Inc.

1. The County Engineer
2. Assistant County Attorney
3. The Clerk's Finance Department personnel
4. Bruce Harkness, The Morganti Group, Inc.
5. James Peace, The Morganti Group, Inc.
6. Jim Ault, The Morganti Group, Inc.
7. Peter Horton, Director of Airports
8. Larry Chalmers, Director of Airport Planning & Development
9. Alan French, Manager of Airport Planning & Development
10. Albert Edwards, Sr. Project Manager
11. Purchase Director, Monroe County
12. Monroe County Risk Administrator
13. Montgomery Consulting Group, Inc.
14. Airport Security & Operations Manager
15. Director of Administrative Services
16. URS Corporation

B. Internal Audit Department examined the following documents:

1. Agreement dated October 19, 2005 with The Morganti Group, Inc., Construction Manager.
2. Amendment to Agreement dated March 15, 2006.
3. Second Amendment to Agreement dated January 17, 2007.
4. Third Amendment to Agreement dated December 30, 2006.
5. Fourth Amendment to Agreement dated October 17, 2007.

6. Statement of Qualifications.
7. Request for Qualifications.
8. Request for Proposals.
9. Guaranteed Maximum Price Proposal (GMP).
10. Key West International Airport – New Terminal Building and Renovation Project, Project Manual.
11. Construction Market Analysis and Prospective Bidders Report.
12. Bid Packages #1, #1A and #2.
13. Bid tabulation sheets.
14. Original bids from all bidders.
15. Project Management Information System Reports (PMIS).
16. Disadvantage Business Enterprise (DBE) requirements packet.

C. Internal Audit Department reviewed the Agreement to ensure that all terms and conditions were being complied with as required by the Agreement.

D. Internal Audit Department compared original bids from a sample of bidders.

III. BACKGROUND INFORMATION

General:

Monroe County selected a Construction Manager at Risk (CMR) for the Key West International Airport (KWIA) New Terminal Building and Renovation Project (KWIA Project). The CMR process differs from the traditional design/bid/build process in that it requires the cooperation of the Architect/Engineer (AE), the owner, and the Construction Manager (CM) from design through completion of the project.

In the CMR process, the AE, owner and CM design the project and determine a budget. At predetermined intervals, the CM reviews the design to provide construction expertise, pricing, feasibility, and potential cost savings. This process increases the probability that once the design is completed, it will be within the original budget. The process also allows the CM to learn the local market, understand the project and make suggestions before the drawings are completed.

Monroe County used a three (3) step process to select a (CMR) firm for the KWIA Project: issuance of a Request for Qualifications, Request for Proposal for CMR Services, and selection of a respondent. On July 5, 2005, Monroe County advertised a Request for Qualifications (RFQ) interested firms were to respond by August 17, 2005 with a Statement of Qualifications (SOQ).

On August 22, 2005, the County issued a Request for Proposal (RFP) for CMR services with a guaranteed maximum price (GMP) for an estimated \$25,000,000 construction budget. Firm proposals were due September 7, 2005. Respondents were required to detail preconstruction service fees, construction phase fees, construction manager (CM) contingency, and CM overhead and profit.

On September 9, 2005, four (4) firms were interviewed and graded by a four (4) member panel and The Morganti Group, Inc. (MGI) was selected. On October 19, 2005, MGI and the County signed the Agreement between the County and Construction Manager. MGI's fee for the KWIA Project is \$3,700,000 consisting of \$200,000 for preconstruction phase fee, \$2,500,000 for construction phase fee, and \$1,000,000 for CM overhead and profit for the construction phase.

On December 20, 2006, the County accepted MGI's \$31,613,533 GMP by executing the third amendment to the Agreement. The \$31,613,533 GMP includes the \$3,700,000 in pre-construction services.

Disadvantaged Business Enterprise (DBE):

A DBE is a for-profit small business that is at least 51% owned by one or more individuals who are both socially and economically disadvantaged; and whose management and daily business operations are controlled by one or more of the socially and economically disadvantaged individuals who own it. The DBE program is an equal opportunity program designed to ensure that small businesses owned by women, minorities and other disadvantaged individuals have a fair opportunity to compete for federal dollars spent for transportation projects.

KWIA participates in a program designed to distribute 15% of its project contracts to registered DBEs. A third party firm, Montgomery Consulting Group, Inc. is has been retained to monitor and assist the airport's DBE program.

Market Analysis:

The Market analysis is the foundation for the Schematic Design (SD) estimates, Design Drawings estimates (DD), Guaranteed Maximum Price (GMP) and the Completed Drawings (CD) estimate.

MGI was to monitor conditions in the construction market to identify factors that will or may affect the project cost and completion time. MGI was required to make the necessary analysis to determine and report on available labor, material, equipment, potential bidders, and possible shortages or surpluses of labor and materials. Based on the analysis, MGI was to make the appropriate recommendations with respect to long lead procurement, separation of construction into bid packages, sequencing of work, use of alternative materials, equipment or methods, other economics in design or construction, and other matters that will promote cost savings and completion within the scheduled time.

Project Management Information System (PMIS):

The Project Management Information System (PMIS) is a contractually required monthly report. It is a control that is used to help ensure that the KWIA project is completed within budget, and in a timely manner. The monthly PMIS reports are comprised of the following sections:

The Narrative Reporting section which should contain an Executive Summary, Cost Narrative, Scheduling Narrative, Accounting Narrative, and a Construction Progress Report.

The Scheduled Control System section which should contain a Master Project Schedule, Construction schedule, Pre-bid Schedules, Subcontractor Construction Schedules, and an Occupancy Schedule.

Cost Control and Estimating section which should contain estimates at completion of the "advanced schematic preconstruction phase", completion of the Design Development phase after the GMP has been established, and completion of the Construction Documents.

The Project Accounting Section which should contain a Cost Status Report, Payment Status Report, Detailed Status Report, Cash Flow Diagram, and a Job Ledger.

Estimates:

According to the Agreement, the estimates contained in the cost control and estimating section of the monthly reports are intended to provide sufficient and timely data to permit the Owner and AE to control and adjust the project requirements so that construction will be completed at a cost which will not exceed the maximum total project budget.

MGI's estimates are based upon drawings that get more detailed as they evolve; beginning with the Schematic drawings (SD), then the Design Document drawings (DD), and finishing with the Completed drawings (CD).

The County and URS, the Architectural Engineer (AE), worked together to develop these drawings. Once a set of drawings was completed, they were given to the Construction Manager (CM), MGI for review and to develop an estimate of the cost of the project.

MGI's estimate was used to verify that the project as designed to that point was within the project's budgetary parameters. If MGI's estimate indicated that the project as designed is over the budgeted dollar amount, the budget would have to be increased or changes made to the design that would decrease the estimated construction costs. The cost savings, suggestions and estimate revisions are then incorporated into the next set of drawings.

The Construction Documents Estimates (CDE) is a tool used to ensure that the overall project stays within the predetermined budget for the bidding process. The CDE compiles the latest estimates into bid packages to be used to compare sub-contractor bids for reasonableness.

Guaranteed Maximum Price (GMP):

The GMP is used to ensure that the project stays within the budget. The GMP was due when the Design Documents were completed. The DD's were 100% complete on February 24, 2006, by which time MGI was to have completed sufficient work to produce a GMP. Delivery of the GMP after the CDs were finished follows the traditional design/bid/build method, not the CMR method.

The GMP controls the KWIA project cost by line item. According to the Agreement, if a GMP line item's actual cost is lower than the GMP line amount, then the difference should be added to the construction contingency. If a GMP line item's actual cost is greater than the GMP amount, then the difference should be subtracted from the construction contingency's available balance with County approval. This procedure allows the County and MGI to track the project's cost per line item to ensure the project stays within the \$31,613,533 budget.

Construction Contingency:

The Construction Contingency was created for unforeseen circumstances relating to construction of this multi-year project. The contingency balance is increased or decreased by events outlined within the Agreement as described below:

If the actual costs are below the GMP's estimated line item, the excess goes to the contingency fund.

If the actual costs are greater than or equal to 2% above the GMP's applicable line item, then MGI must get the County's written approval. If the balance in the contingency fund is sufficient and the County approves, then that line item will increase and the contingency will decrease by the same amount.

If the balance in the contingency fund is sufficient and the County does not approve the difference, then, the County pays the first 2% and MGI pays the balance of the overage. As an alternative, MGI can perform the work themselves at the estimated line item amount or bid that line item out again for the same amount or less.

If the actual costs are less than 2% above the GMP's applicable line item, and the contingency balance is sufficient to cover this overage, County approval is not required and the contingency balance will be decreased by the overage amount.

Solicitation of Bids:

It is MGI's responsibility to properly advertise the project to ensure an adequate pool of sub-contractors able to provide quality work at a reasonable price. According to MGI, there were three (3) different bid packets put out for sub-contractors to bid.

Bid packet #1 included the following work scopes:

- 2a - Site improvement.
- 3a - Auger cast piles.
- 4a - Cast in place concrete.
- 5a - Structural pre-cast concrete.

Bid packet #1A included the following work scopes:

- 2a - Site improvement.
- 3a - Auger cast piles.

Bid packet #2 included the following work scopes:

- 2a - Demolition site.
- 2b - Demolition of existing building.
- 2c - Site earthwork/development.
- 2d - Asphalt paving.
- 2e - Surveying.
- 2f - Irrigation.
- 2g - Landscaping.
- 3a - Auger cast piles.
- 3b - Cast in place concrete.
- 3c - Structural pre-cast joists.
- 4a - Masonry.
- 5a - Steel.
- 5b - Expansion joint covers.
- 6a - Rough carpentry.
- 6b - Interior architectural woodwork.
- 7a - Caulking & sealants.
- 7b - Spray on fireproofing.
- 7c - Roofing.
- 8a - Hollow metal doors, frames & finish hardware supplier.
- 8b - Hollow metal door, frame & finish hardware installation.
- 8c - Overhead coiling doors & grilles.
- 8d - Aluminum storefront, windows and sliding doors.
- 8e - Horizontal sliding hurricane shutters.
- 8f - Security gates.
- 9b - Ceramic tile, quarry tile, stone thresholds, window sills & terrazzo.
- 9a - Portland cement plaster.
- 9c - Resilient flooring.
- 9d - Acoustical panel ceilings.
- 9e - Painting.
- 10a - Toilet compartments & toilet & bath accessories.
- 10b - Flagpoles.
- 10c - Identifying devices/signage.
- 10d - Miscellaneous specialties.
- 11a - Parking equipment.
- 12a - Furnishings.
- 13a - Prefabricated control booths.
- 14a - Elevators & escalators.
- 14b - Baggage handling systems.
- 15a - Plumbing.
- 15b - Fire protection sprinkler system.
- 15c - HVAC.
- 16a - Electrical
- 17a - Final cleaning

Sub-contractor Bids:

The KWIA project was divided into various work scopes of similar work. As mentioned above in solicitation of bids, MGI had three different bid packets. Various sub-contractors responded to advertisements for the above-mentioned work scopes and bidders were selected to contract with MGI.

IV. AUDIT CONCLUSIONS

1. MGI did not provide the Construction Market Analysis and Prospective Bidders Report in a timely manner. The report was received on August 22, 2006, which was three hundred and five (305) days after the deadline.
2. MGI did not submit the Design Documents in a timely manner. The County received this packet on April 20, 2006, which was fifty-five (55) days after MGI received the design drawings from URS. According to the Agreement, MGI had forty-five (45) days to submit the documents and therefore they were ten (10) days late.
3. MGI did not submit the Completed Documents in a timely manner. The County received this packet on October 13, 2006, which was one hundred and ten (110) days after MGI received the CD estimate from URS. According to the Agreement, MGI had forty-five (45) days to submit the documents and therefore they were sixty-five (65) days late.
4. MGI did not provide the County with a Construction Documents Estimate.
5. MGI did not complete the GMP in a timely manner. The County received the GMP two hundred and sixty-five (265) days past the due date.
6. GMP Clarification and Assumption #34 effectively nullifies the basic premise of a GMP.
7. In the Agreement there is no mention of how allowances are to be accounted for or that there should be any allowances included within the GMP. Allowances included in the GMP total \$714,651.
8. MGI did not correctly establish a contingency amount and did not provide supporting documentation for setting the construction contingency at zero (0).
9. MGI did not obtain the required written approval for bids that are 2% above the applicable line item in the GMP.
10. MGI is not increasing the construction contingency for items that are less than the GMP amount.
11. MGI and the County failed to provide any detailed reporting that tracks the cost reducing alternates and value engineering items within the GMP.
12. The GMP's summary cost reducing alternatives line doesn't reconcile to the detailed estimate of direct cost items line called "Alternates & VE items". There is a \$350,000 difference between the two.
13. The GMP's summary general conditions line does not reconcile to its supporting documentation. There is a \$149,030 unreconciled difference between the two.

14. MGI did not follow the requirements in the Solicitation of Bids section of the Agreement for bid package #1. Bid package #1's last advertisement did not appear at least twenty-one (21) calendar days prior to the established bid opening date and at least five (5) days prior to any scheduled pre-bid conference.
15. MGI did not follow the requirements in the Solicitation of Bids section of the Agreement for bid package #1A. MGI did not advertise either through publications or electronically for bid package #1A.
16. MGI did not follow the requirements in the Solicitation of Bids section of the Agreement for bid package #2. Bid package #2's last advertisement did not appear at least twenty-one (21) calendar days prior to the established bid opening date.
17. MGI did not follow the requirements in the Solicitation of Bids section of the Agreement for bid package #3. Bid package #3's last advertisement did not appear at least twenty-one (21) calendar days prior to the established bid opening date.
18. MGI did not provide any information that pre-bid conferences took place for bid package's #1, #1A, and #2.
19. MGI did not provide any log in sheets for bids received for bid package's #1, #1A, and #2.
20. MGI did not provide any information that JLU Enterprises Corporation submitted a bid for work performed on auger cast piles. JLU signed a contract for \$252,633 for work on the auger cast piles.
21. There was no executed agreement with sub-contractor American Foundation Corp. for the first fifty-eight (58) auger piles installed. This work, though performed by American Foundation was paid to American through JLU Enterprises Corporation.
22. MGI has not provided any pre-qualification information for applicable sub-contractors.
23. MGI failed to provide experience questionnaires and financial statements for fourteen (14) sub-contractors whose bids exceeded \$200,000.
24. None of MGI's bid tabulation packets sampled by the auditor contained bid/award summaries.
25. There were two (2) bids accepted after the bid due date for bid package #1, one (1) bid accepted after the bid due date for bid package #1A, and six (6) bids accepted after the bid due date for bid package #2.
26. According to the bid tabulation for work scope 9D-Acoustical Ceilings/Wall Panels Acousti Engineering Co. bid \$644,145 for the work. However, there was no supporting documentation indicating that the sub-contractor submitted a bid.

27. There was no bidding information provided for two (2) out of the three (3) sub-contractors listed on MGI's bid tabulation sheet for work scope 15A-Plumbing.
28. Work scope 15C-HVAC's bid tabulation sheet appears to have a lower bidder than the bidder who was awarded an agreement.
29. A sub-contractor for work scope 15C-HVAC was able to change their original bid and there was no documentation showing that the other responding bidders were given the opportunity to change their bids after submitting their original bids.
30. For six (6) sub-contractors who were awarded agreements, the bid and agreement amounts are different.
31. MGI only received one proposal for work on scope 5A-Steel. According to the Agreement, MGI should have requested at least three (3) firms to submit sealed written proposals.
32. MGI only received one proposal for work on scope 5B-Expansion Joint Covers. According to the Agreement, MGI should have requested at least three (3) firms to submit sealed written proposals.
33. There was no documentation provided that MGI attempted to obtain proposals for earthwork testing, concrete testing, auger logs, and weld inspections.
34. Eight (8) of the thirteen (13) sub-contractors sampled had commenced work prior to having an executed contract in place.
35. Some of MGI's sub-contractors are sub-contracting out work at the Key West International Airport – New Terminal Building and Renovation.
36. Four (4) sub-contractors that were contractually required to provide 100% performance, labor and material payment bonds failed to provide the bonding coverage.
37. Five (5) sub-contractors were excluded from providing the required bonding. MGI failed to get special authorization from the County to exclude the sub-contractors.
38. MGI did not provide the Proposed Disadvantage Business Enterprise (DBE) Utilization Form and DBE Identification Form in a timely manner.
39. MGI did not properly complete the DBE Utilization and Identification forms.
40. MGI did not complete DBE Identification forms for three (3) sub-contractors that were on the DBE Utilization form.
41. MGI did not provide the DBE Payment Certification Form for two (2) sub-contractors in a timely manner.

- 42. MGI did not properly complete the DBE Expenditure Report for one (1) sub-contractor.
- 43. The project manual prepared by MGI did not include copies of any subcontracts.
- 44. PMIS reports #1 through #19 prepared by MGI does not contain a construction contingency as required by the Agreement.
- 45. MGI did not provide the PMIS reports in a timely manner. The County received these reports on average one hundred and forty-four (144) days after the last day of the month for the PMIS period covered.
- 46. For the first thirteen (13) PMIS reports MGI did not include the Cost Status Reports as required by the Agreement.
- 47. MGI did not provide PMIS reports with the first six (6) pay requests as required by the Agreement.
- 48. MGI's Certificate of Liability Insurance does not state the specific job by name and job number.

V. AUDIT FINDINGS

Market Analysis

1. MGI did not provide the Construction Market Analysis and Prospective Bidders Report in a timely manner.

Finding:

According to the Agreement section 2.3 Design Review and Recommendations, sub section (8) Market Analysis and Stimulation of Bidder Interest (b) "Within thirty (30) days after receiving Notice to Proceed, the Construction Manager shall submit a written "Construction Market Analysis and Prospective Bidders Report" setting out recommendations and providing information as to prospective bidders." Exhibit A – Agreement.

On October 21, 2005, a Notice to Proceed for Preconstruction Phase service was issued to The Morganti Group, Inc. Exhibit B – Notice to Proceed. The Construction Market Analysis and Perspective Bidders Report would be due on November 21, 2005 according to the Agreement. The Construction Market Analysis and Perspective Bidders Report were received on August 22, 2006, three hundred and five (305) days after the deadline. Exhibit C - Construction Market Analysis and Perspective Bidders Report.

The Construction Market Analysis and Prospective Bidders Report that was received on August 22, 2006 failed to provide any recommendations as to prospective bidders as required by the Agreement.

Recommendation(s):

1. The Monroe County Board of County Commissioners (BOCC) should ensure that there are policies and procedures in place to monitor the CMR's compliance with the Agreement.
2. The BOCC should determine the potential impact to the project from MGI completing the "Construction Market Analysis and Prospective Bidders Report" 305 days late and missing recommendations.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs. The lack of the report was a contract deficiency for which Morganti was placed on notice by way of meeting on July 27, 2006 and letter dated August 7, 2006. The deficiency has since been corrected.

Estimates

2. MGI's Design Document (DD) estimate was not submitted to the County in a timely manner.

Finding:

According to the Agreement section 2.3 Design Review & Recommendations, sub-section (2) Review Reports and Warranty "Within 45-days after receiving the Construction Documents for each phase of the project, the Construction Manager shall perform a specific review thereof, focused upon factors of a nature encompassed in Paragraph (1) above and on factors set out in Paragraph (5). Promptly after completion of the review, he shall submit to the Project Director and Permitting Authority, with copies to the Architect-Engineer, a written report covering suggestions or recommendations previously submitted, additional suggestions or recommendations as he may deem appropriate, and all actions taken by the Architect-Engineer with respect to same, any comments he may deem to be appropriate with respect to separating the work into separate contracts, alternative materials, and all comments called for under Article 2.3(5)." Exhibit A – Agreement

MGI failed to meet the required time frame of forty-five (45) days for submitting their DD packet to the County. URS submitted the DD drawings February 24, 2006 and the County received the DD packet from MGI no earlier than April 20, 2006, which is ten (10) days late.

Recommendation(s):

1. The BOCC should ensure that there are policies and procedures in place to monitor the CMR's compliance with the Agreement.
2. The BOCC should determine the potential impact to the project resulting from MGI not providing the DD estimates within the required deadline.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County Concur. Morganti and URS were required to work collaboratively to provide the estimate and the County is unable to opine as to why the estimate was not timely submitted however the deficiency has since been corrected.

Estimates

3. MGI's Completed Documents (CD) estimate was not submitted to the County in a timely manner.

Finding:

According to the Agreement section 2.3 Design Review & Recommendations, sub-section (2) Review Reports and Warranty "Within 45-days after receiving the Construction Documents for each phase of the project, the Construction Manager shall perform a specific review thereof, focused upon factors of a nature encompassed in Paragraph (1) above and on factors set out in Paragraph (5). Promptly after completion of the review, he shall submit to the Project Director and Permitting Authority, with copies to the Architect-Engineer, a written report covering suggestions or recommendations previously submitted, additional suggestions or recommendations as he may deem appropriate, and all actions taken by the Architect-Engineer with respect to same, any comments he may deem to be appropriate with respect to separating the work into separate contracts, alternative materials, and all comments called for under Article 2.3(5)." Exhibit A - Agreement

MGI failed to meet the required time frame of forty-five (45) days for submitting their CD packet to the County. URS submitted the CD estimate June 26, 2006 and the County received the CD packet from MGI no earlier than October 13, 2006, which is sixty-five (65) days late.

Recommendation(s):

1. The BOCC should ensure that there are policies and procedures in place to monitor the CMR's compliance with the Agreement.
2. The BOCC should determine the potential impact to the project resulting from MGI not providing the CD estimates within the required deadline.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County Concur. Morganti and URS were required to work collaboratively to provide the estimate and the County is unable to opine as to why the estimate was not timely submitted however the deficiency has since been corrected.

Estimates

4. MGI did not provide the County with Construction Documents Estimates (CDE).

Finding:

According to the Agreement, section 2.1.4 Cost Control Subsystem sub-section (e) Construction Documents Estimates (CDE) - "Prior to the bid of each bid package, when the working drawings and specifications are complete, the CMR shall prepare and submit a cost estimate on the basis of a quantitative material take-off with current local cost for each bid group by subcontract package." Exhibit A – Agreement

MGI failed to provide any information to the auditor that explains why this report was not provided to the County.

Recommendation(s):

1. The BOCC should ensure that there are policies and procedures in place to monitor the CMR's compliance with the Agreement.
2. The BOCC should determine the potential impact to the project resulting from MGI not providing the County with the required CDE.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County Concur. The lack of the CD estimate was a contract deficiency for which Morganti was placed on notice by way of meeting on July 27, 2006 and letter dated August 7, 2006. Morganti and URS were required to work collaboratively to provide the estimate and the County is unable to opine as to why the estimate was not timely submitted however the deficiency has since been corrected.

Auditor's Comment:

At the time of the issuance of this report the County has not received the Construction Design Estimates.

GMP

5. MGI did not complete the GMP in a timely manner.

Finding:

According to the Agreement, Article 7; Guaranteed Maximum Price for Construction, sub-section 7.1 "When the Design Development Documents are sufficiently complete to establish the scope of work for the project or any portion thereof, as generally defined by a design document listing to be provided by the Architect-Engineer and Construction Manager upon execution of this Agreement, which is to be used only as a guide in developing the specifications and plan data necessary to establish a Guaranteed Maximum Price, or at such time thereafter designated by the County, the Construction Manager will establish and submit in writing to the County for approval a Guaranteed Maximum Price, guaranteeing the maximum price to the County, for the construction cost of the project or designated part thereof." Exhibit A – Agreement

Based upon MGI documentation, URS completed 100% of the DD drawings on February 24, 2006 and the County received the GMP from MGI November 15, 2006, two hundred sixty-five (265) days past the due date.

Recommendation(s):

1. The BOCC should ensure that there are policies and procedures in place to monitor the CMR's compliance with the Agreement.
2. The BOCC should determine the cost and timeliness to the project of MGI providing the GMP over two hundred sixty-five (265) days past due.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County Concur. Morganti and URS were required to work collaboratively to ensure the County received the GMP in a timely manner. The County is unable to opine as to why the GMP was not timely submitted however the deficiency has since been corrected.

Auditor's Comment on Responses for findings #1 through #5:

Findings 1 through 5 refer to the timeliness of the submission of these critical project documents. The fact that they were not submitted timely in accordance with the provisions of the contract may have negatively affected the progress of the Project.

GMP

6. GMP Clarification and Assumption #34 effectively nullifies the basic premise of a GMP, as it provides that the “Guaranteed Maximum Price” shall be increased to cover additional costs under certain circumstances.

Finding:

According to GMP Clarifications and Assumptions #34 – “Where allowances have been established for scope included in the GMP or where agreed upon estimated amounts have been used for cost reduction items it is agreed that should the allowance amounts be exceeded or should the estimated savings for cost reduction items not be reached the GMP amount shall be adjusted if necessary to account for these additional costs. The GMP shall only be adjusted after all other cost saving alternatives, including further scope reductions, has been exhausted.” Exhibit D – GMP.

Further, we find no definition or description of the term “allowances for scope” in the contract documents. **See Finding #7.**

The above mentioned GMP Clarifications and Assumptions #34 effectively nullifies the basic premise of a GMP, which is the CM at risk agrees to pay for costs that exceed the approved GMP and are not a result of changes in the contract documents.

Recommendation(s):

1. The BOCC should determine the potential impact of the approval of the GMP with Clarification and Assumption #34 included to the cost of the project at completion.
2. Since the project is not completed, the BOCC should determine the potential impact on the project at completion resulting from MGI’s failure to comply with section 7.4 of the Agreement.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs however; the BOCC would have to approve any increase in the GMP.

GMP

7. Allowances of \$714,651 are included within the GMP.

Finding:

The following allowances are contained within the GMP:

<u>Bid</u>		<u>GMP</u>
<u>Package</u>	<u>Description</u>	<u>Estimate</u>
2C	Restaking	\$ 15,000
2H	Tennis Netting and Beach Dining	10,000
3A	Secondary Light Weight Topping Slab – Buildings	140,000
5A	Stainless Steel Railing and Glass Panel System	24,000
5A	Precast Connection Welds	20,000
6A	Rough Carpentry	39,851
6B	Solid Surface Sills & Aprons	30,000
8E	Shutters, Smoke Curtains Existing buildings	30,000
9B	Quarry Patching	10,000
9C	Floor Preparation	7,500
10D	Identifying Devices/Signage	150,000
10E	Relocate Existing Signage	6,650
10K	Wall/Corner Protection	6,650
12C	Airport Seating	<u>225,000</u>
Allowance Total		\$ 714,651

In the Agreement there is no mention of how allowances are to be accounted for or that there should be any allowances included within the GMP. Also there is no detailed information on how these are going to be applied to construction costs. Exhibit D – GMP.

Recommendation(s):

1. The BOCC should ensure that there are policies and procedures in place to monitor the CMR's compliance with the Agreement.
2. The BOCC should consider the how these allowances will affect the cost of the project.
3. County Management should have procedures in place to monitor and approve or disapprove the use of these allowances.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs however the use of line item allowances serves the same purpose as the other items in the GMP, i.e., the establishment of a maximum cost for that line item. The County would point out that if the methodology described in finding #8 of the audit report had been followed, all of the line items that would have comprised the GMP would have been, in essence, allowances.

Auditor's Comment:

GMP Clarifications and Assumptions #34 provides that the allowances don't constitute maximum amounts. According to Assumption #34, "Where allowances have been established for scope included in the GMP or where agreed upon estimated amounts have been used for cost reduction items it is agreed that should the allowance amounts be exceeded or should the estimated savings for cost reduction items not be reached the GMP amount shall be adjusted if necessary to account for these additional costs. The GMP shall only be adjusted after all other cost saving alternatives, including further scope reductions, has been exhausted."

GMP

8. MGI did not correctly establish a contingency amount and did not provide supporting documentation requested by the auditors for setting the contingency amount at zero (0).

Finding:

According to the Agreement section 7.4 “At the time of submission of a Guaranteed Maximum Price, the Construction Manager will verify the time schedule for activities and work which were adopted by the Construction Team and used to determine the Construction Manager’s cost of work. In addition to the cost of work, a GMP will include an agreed upon sum as the construction contingency which is included for the purpose of defraying the expenses due to unforeseen circumstances relating to construction. The Construction Manager will be required to furnish documentation evidencing expenditures charged to this contingency prior to the release of funds by the County. Documentation for use of the Contingency shall be determined by the Construction Team, included in the Project Manual and displayed monthly in the PMIS. The Architect-Engineer shall verify the actual costs. If bids are received below the applicable line items in the GMP, the surplus will be added to the contingency.” Exhibit A – Agreement.

The auditors requested documentation from MGI for setting the construction contingency amount at zero (0). To date the information has not been provided.

MGI did not follow the correct process of establishing a GMP and therefore it impacted the use of a contingency.

The correct process for establishing a contingency amount results from the following steps. The GMP should have been established from specifications and plan data from the Design Development Documents. Then bids would be solicited and the most responsive bidder selected from each work scope. The contingency should have been created with bids that are below the applicable line items in the GMP, the surplus being added to the contingency. If bids were above the applicable line items in the GMP, the deficiency would be subtracted from the contingency according to the procedure described in section

Instead MGI established the existing GMP after the solicitation of the bids. Therefore, each work scope within the GMP agrees to the successful bidder’s bid.

MGI failed to adhere to section 7.4 in the Agreement.

Recommendation(s):

1. The BOCC should ensure that there are policies and procedures in place to monitor the CMR’s compliance with the Agreement.

2. Since the project is not completed, the BOCC should determine the potential impact on the project at completion resulting from MGI’s failure to comply with section 7.4 of the Agreement.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs with an explanation. The County directed MGI to set a contingency amount of \$0 since the project exceeded the desired GMP and contained cost cutting items. According to the contract, the purpose of a construction contingency is to defray the expenses due to unforeseen circumstances relating to construction. The County chose not to build in a contingency within the GMP. Any contingency would have caused the GMP to increase by that amount. Because of the way the GMP was established and in order not to exceed the GMP, the contingency should have started at \$0 and then increased as cost savings were realized and those savings were transferred in to the contingency for purposes of tracking. Those savings should either come back to the County at the end of the project or be available to defray GMP clarification and assumption #34 in order not to exceed the GMP.

Auditor's Comment:

According to the County Engineer, he directed The Morganti Group, Inc. to set the contingency at zero (0). At the time of the issuance of this report the County Engineer has not provided any documentation that supports this statement.

GMP

9. MGI did not obtain the required written approval for bids that are 2% above the applicable line item in the GMP.

Finding:

According to the Agreement section 7.4 "If bids received are two (2) percent or greater above the applicable line item in the GMP the Construction Manager shall seek approval in writing from the County before they are accepted; if the bids received are below two (2) percent the deficiency will be taken from the contingency, however such events shall not be cause to increase the GMP." Exhibit A – Agreement.

The auditors met with MGI representatives on September 18, 2007. At that meeting MGI representatives stated that they did not obtain written approval for bids that are two (2) percent or greater above the applicable line item in the GMP.

Due to MGI's failure to follow the sequence of events for the establishment of the GMP as described in section 7 of the Agreement, ninety (90) percent of the applicable line items in the GMP agreed to the most responsive bidders. For the lines where the bids differ from the GMP, these amounts were not taken to the contingency because the contingency was set to at zero (0).

Recommendation(s):

1. The BOCC should ensure that there are policies and procedures in place to monitor the CMR's compliance with the Agreement.
2. The BOCC should determine the cost to the project of MGI not providing a contingency in the GMP and their failure to comply with section 7.4 of the Agreement.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs. Because of the method employed in establishing the GMP the line items agreed with the bids.

GMP

10. MGI is not increasing the construction contingency for items that are less than the GMP amount.

Finding:

According to the Agreement section 7.4 “If bids are received below the applicable line items in the GMP, the surplus will be added to the contingency.” Exhibit A – Agreement.

With the incorrect way MGI established the GMP, solicited bids first then created the GMP, ninety (90) percent of the applicable line items in the GMP agreed to the most responsive bidders bid. For the lines where the bids differ from the GMP, these amounts were not taken to the contingency because the contingency was set to at \$0.

Recommendation(s):

1. The BOCC should ensure that there are policies and procedures in place to monitor the CMR’s compliance with the Agreement.
2. The BOCC should determine the cost to the project of MGI not providing a contingency in the GMP and their failure to comply with section 7.4 of the Agreement.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs. The GMP contains numerous cost cutting items that have to be established to achieve the GMP. Therefore, before any money is available for the contingency, cuts need to be accomplished in accordance with the cost reducing alternatives in the GMP.

GMP

11. MGI and the County did not provide any detailed reporting that tracks cost reducing alternates and value engineering items.

Finding:

According to the Agreement section 2.1.5 Project Accounting Subsystem (c) Detailed Status Report – “showing the complete activity history of each item in the project accounting structure. It shall include the budget, estimate, and base commitment figures for each contract.” Exhibit A – Agreement.

The GMP includes \$3,612,708 of cost reducing alternates and value engineering items. MGI and the County have failed to provide any detailed reporting that tracks these cost reducing alternates and value engineering items.

Recommendation(s):

1. The BOCC should ensure that there are policies and procedures in place to monitor the CMR’s compliance with the Agreement.
2. MGI and County Management should have procedures in place to monitor and approve or disapprove the cost reducing alternates and value engineering items.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County disagrees. Cost tracking is contained in the monthly PMIS reports and the monthly pay applications.

Auditor’s Comment:

Neither the monthly PMIS reports nor the monthly pay applications track the progress of attaining the cost reducing alternates and value engineering targets.

GMP

12. The GMP's summary "Cost reducing alternates (as of 11/09/06)" line does not reconcile to the GMP's detailed estimate of direct cost items line called "Alternates & VE items".

Finding:

There is a \$350,000 difference between the "Cost reducing alternatives (as of 11/09/06)" line on the GMP summary and the detailed estimate "Alternates & VE items" line.

The "Cost reducing alternatives (as of 11/09/06)" line is \$3,612,708, and the "Alternates & VE items" line total is \$3,262,708. Exhibit E – GMP Price Summary & Estimate Summary.

The GMP was approved with this unreconciled difference.

MGI has failed to provide any information to the auditor that explains what the difference is between the summary and detail.

Recommendation(s):

1. MGI and County Management should have procedures in place to ensure that supporting documents are reconciled to the GMP.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs. Numerous revisions to the VE items and alternatives may be the cause in the discrepancy however, the GMP amount has been established.

GMP

13. The GMP's summary "General conditions (reimbursable expenses)" line does not reconcile to its supporting documentation.

Finding:

There is a \$149,030 difference between the "General conditions (reimbursable expenses) line on the GMP summary sheet and the detail/supporting documentation. The detail documentation totals to \$522,970 and the "General conditions (reimbursable expenses)" shows \$672,000, a difference of \$149,030. Exhibit F – GMP General Conditions.

The GMP was approved with this unreconciled difference.

MGI has failed to provide any information to the auditor that explains what the difference is between the summary and detail.

Recommendation(s):

1. MGI and County Management should have procedures in place to ensure that supporting documents are reconciled to the GMP.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs. However, the GMP amount has been clearly established and general conditions are reimbursable expenses that require an invoice prior to payment.

Solicitation of Bids

14. Bid package #1's last advertisement did not appear at least twenty-one (21) calendar days prior to the established bid opening date and at least five (5) days prior to any scheduled pre-bid conference.

Finding:

According to the Agreement section 2.4 Construction Phase, sub section (4) Solicitation of Bids #3, "Contracts exceeding Two Hundred Thousand Dollars (\$200,000) may be entered into by the Construction Manager with the firm who is qualified and submits the most responsive proposal. The Construction Manager shall advertise these projects at least once with the last advertising appearing at least 21 calendar days prior to the established bid opening date and at least five 5 days prior to any scheduled pre-bid conference. These proposals shall be based on approved plans and specifications. Bids shall be received at the location, date and time established in the bid advertisement." Exhibit A – Agreement.

MGI distributed bid package #1 to sub-contractors on or about April 4, 2006 with a sealed bid due date of May 4, 2006. Exhibit G – Bid package #1. MGI placed advertisements with two (2) publications with the last advertisement run date of April 20, 2006. According to the advertisements the sealed bids were due April 27, 2006. Exhibit H – Ads for bid package #1.

If the advertised sealed bid due date of April 27, 2006 is used, sub-contractors had a maximum of eight (8) days between MGI's last newspaper advertisement and the bid opening date. If the bid due date according to bid package #1 is used, sub-contractors had a maximum of fifteen (15) days between MGI's last newspaper advertisement and the bid opening date. Using either of the two (2) different due dates, both failed to meet the twenty-one (21) day contractual requirement.

According to the advertisements and bid package #1 the pre-bid conference was scheduled to take place on April 18, 2006. The last advertisement ran after the scheduled date of the pre-bid conference, not at least five (5) days prior to any scheduled pre-bid conference.

MGI failed to meet contractual requirement stated above.

Recommendation(s):

1. The BOCC should ensure that there are policies and procedures in place to monitor the CMR's compliance with the Agreement.

2. The BOCC should determine the potential impact to the project resulting from bid package #1 not meeting the contractual requirement of the last advertisement appearing at least twenty-one (21) calendar days prior to the established bid opening date and at least five (5) days prior to any scheduled pre-bid conference.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs however the contract between the County and MGI only requires the bids to be advertised once. MGI chose to run the advertisement 3 times with the first advertisement having the required 21 calendar days prior to the bid opening. There were no complaints or bid protests lodged as a result of the second and third advertisement falling short of the 21 calendar day requirement.

Auditor's Comment:

According to the Agreement section 2.4 Construction Phase, sub section (4) Solicitation of Bids #3, "The Construction Manager shall advertise these projects at least once with the last advertisement appearing at least 21 days prior to the established bid opening date."

Solicitation of Bids

15. Bid package #1A did not meet the contractual requirement of advertising.

Finding:

According to the Agreement section 2.4 Construction Phase, sub section (4) Solicitation of Bids #3, "Contracts exceeding Two Hundred Thousand Dollars (\$200,000) may be entered into by the Construction Manager with the firm who is qualified and submits the most responsive proposal. The Construction Manager shall advertise these projects at least once with the last advertising appearing at least 21 calendar days prior to the established bid opening date and at least five 5 days prior to any scheduled pre-bid conference. These proposals shall be based on approved plans and specifications. Bids shall be received at the location, date and time established in the bid advertisement." Exhibit A – Agreement.

MGI did not advertise either through publications or electronically for bid package #1A. Exhibit I – Bid package #1A.

MGI failed to meet contractual requirement stated above.

Recommendation(s):

1. The BOCC should ensure that there are policies and procedures in place to monitor the CMR's compliance with the Agreement.
2. The BOCC should determine the potential impact to the project resulting from bid package #1A not being advertised.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs. MGI informs the County that there were no bids received for the auger pile work advertised in Bid Package #1(Work Scope 3A). MGI subsequently sought out bidders by direct contact.

Solicitation of Bids

16. Bid package #2's last advertisement did not appear at least twenty-one (21) calendar days prior to the established bid opening date.

Finding:

According to the Agreement section 2.4 Construction Phase, sub section (4) Solicitation of Bids #3, "Contracts exceeding Two Hundred Thousand Dollars (\$200,000) may be entered into by the Construction Manager with the firm who is qualified and submits the most responsive proposal. The Construction Manager shall advertise these projects at least once with the last advertising appearing at least 21 calendar days prior to the established bid opening date and at least five 5 days prior to any scheduled pre-bid conference. These proposals shall be based on approved plans and specifications. Bids shall be received at the location, date and time established in the bid advertisement." Exhibit A – Agreement.

MGI distributed bid package #2 to sub-contractors on or about July 1, 2006 with a sealed bid due date of August 1, 2006. Exhibit J – Bid Package #2. MGI placed advertisements with two (2) publications with the last advertisement run date of July 14, 2006. According to the advertisements the sealed bids were due July 21, 2006. Exhibit K – Ads for Bid Package #2.

If the advertised sealed bid due date of July 21, 2006 is used, sub-contractors had a maximum of eight (8) days between MGI's last newspaper advertisement and the bid opening date. If the sealed bid due date according to bid package #2 is used, sub-contractors had a maximum of nineteen (19) days between MGI's last newspaper advertisement and the bid opening date. Using either of the two (2) different due dates, both failed to meet the twenty-one (21) day contractual requirement stated above.

MGI failed to meet contractual requirement stated above.

Recommendation(s):

1. The BOCC should ensure that there are policies and procedures in place to monitor the CMR's compliance with the Agreement.

2. The BOCC should determine the potential impact to the project resulting from bid package #2 not meeting the contractual requirement of the last advertisement appearing at least twenty-one (21) calendar days prior to the established bid opening date.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs however the contract between the County and MGI only requires the bids to be advertised once. MGI chose to run the advertisement 3 times and although the ads did not run 21 calendar days prior to the bid opening there were no complaints or bid protests lodged as a result of the advertisements falling short of the 21 calendar day requirement.

Auditor's Comment:

According to the Agreement section 2.4 Construction Phase, sub section (4) Solicitation of Bids #3, "The Construction Manager shall advertise these projects at least once with the last advertisement appearing at least 21 days prior to the established bid opening date."

Solicitation of Bids

17. Bid package #3's last advertisement did not appear at least twenty-one (21) calendar days prior to the established bid opening date.

Finding:

According to the Agreement section 2.4 Construction Phase, sub section (4) Solicitation of Bids #3, "Contracts exceeding Two Hundred Thousand Dollars (\$200,000) may be entered into by the Construction Manager with the firm who is qualified and submits the most responsive proposal. The Construction Manager shall advertise these projects at least once with the last advertising appearing at least 21 calendar days prior to the established bid opening date and at least five 5 days prior to any scheduled pre-bid conference. These proposals shall be based on approved plans and specifications. Bids shall be received at the location, date and time established in the bid advertisement." Exhibit A – Agreement.

MGI placed advertisements with a publication with the last advertisement run date of July 4, 2007. According to the advertisements the sealed bids were due July 19, 2007. Sub-contractors had a maximum of sixteen (16) days between MGI's last newspaper advertisement and the bid opening date. MGI failed to meet the twenty-one (21) day contractual requirement stated above. Exhibit L – Ad for Bid Package #3.

According to MGI, due to a lack of responses they did not put together bid package #3.

Recommendation(s):

1. The BOCC should ensure that there are policies and procedures in place to monitor the CMR's compliance with the Agreement.

2. The BOCC should determine the potential impact to the project resulting from bid package #3 not meeting the contractual requirement of the last advertisement appearing at least twenty-one (21) calendar days prior to the established bid opening date.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs however the contract between the County and MGI only requires the bids to be advertised once. MGI chose to run the advertisement 2 times with the first advertisement meeting the 21 day requirement. There were no complaints or bid protests lodged as a result of the second advertisements falling short of the 21 calendar day requirement.

Auditor's Comment:

According to the Agreement section 2.4 Construction Phase, sub section (4) Solicitation of Bids #3, "The Construction Manager shall advertise these projects at least once with the last advertisement appearing at least 21 days prior to the established bid opening date."

Solicitation of Bids

18. MGI has not provided any information that pre-bid conferences took place for bid packages #1, #1A, and #2.

Finding:

According to both advertisements placed in publications and the bid packages, MGI was to hold pre-bid conferences on specified dates and times at The Key West International Airport. According to MGI's project manual, section 3.3 Bidding Process #5, "Conduct a joint pre-bid conference to include a site tour, obtaining a list of attendants, answering sub-contractor questions and preparing meeting minutes." Exhibit A – Agreement.

MGI has failed to provide any information that these meetings were held.

Recommendation(s):

1. The BOCC should ensure that there are policies and procedures in place to monitor the CMR's compliance with the Agreement.

2. The BOCC should determine the potential impact to the project resulting from not having pre-bid conferences.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs. The meetings were to be held by MGI and the County was not involved in the process of establishing the meetings.

Solicitation of Bids

19. MGI has not provided any log in sheets for bids received for bid packages #1, #1A, and #2.

Finding:

According to both advertisements placed in publications and the bid packages, MGI was to log in all bids received as having been received prior to closing time and date for the receipt of bids. Exhibit G, H, I, J, K, L – Various.

MGI has failed to provide any log in sheets for any bid packages.

Recommendation(s):

1. The BOCC should determine the potential impact to the project resulting from not having log in sheets for bid package #1, #1A, #2.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs. MGI was responsible for receiving, logging in and tabulating all bids.

Solicitation of Bids

20. MGI did not solicit bids for work done on auger cast piles #1 through #202.

Finding:

According to the Agreement section 2.4 Construction Phase, sub section (4) Solicitation of Bids #3, "Contracts exceeding Two Hundred Thousand Dollars (\$200,000) may be entered into by the Construction Manager with the firm who is qualified and submits the most responsive proposal. The Construction Manager shall advertise these projects at least once with the last advertising appearing at least 21 calendar days prior to the established bid opening date and at least five 5 days prior to any scheduled pre-bid conference. These proposals shall be based on approved plans and specifications. Bids shall be received at the location, date and time established in the bid advertisement." Exhibit A – Agreement.

MGI has failed to provide any information that JLU Enterprises Corporation (JLU) submitted a bid for work performed on auger cast piles #1-#202. Exhibit M – Bid Tabulation Sheet 3A Auger Cast Piles. JLU executed a contract for \$252,633 on or about October 19, 2006 for work on those auger cast piles. Based on the dollar amount of this contract MGI failed to meet the contractual requirement stated above. Exhibit N – JLU Subcontract Agreement.

On June 20, 2007, the Monroe County Board of County Commissioners waived bid irregularities associated with hiring of JLU Enterprises Corporation for the work at the Key West International Airport.

Recommendation(s):

1. The BOCC should ensure that there are policies and procedures in place to monitor the CMR's compliance with the Agreement.
2. The BOCC should consider and determine the potential impact to the project resulting from MGI not soliciting bids for the cast piles #1 through #202.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs however on June 20, 2007 the BOCC waived bid irregularities associated with this work.

Sub-contractor Bids

21. There is no executed agreement with sub-contractor American Foundation Corp. for work scope 3A – Auger Cast Piles.

Finding:

According to the MGI subcontract agreement section 16. Assignment: “Subcontractor shall not sub-subcontract the work of this Subcontract and shall not assign or transfer this subcontract or funds due hereunder, without the prior written consent of contractor & subcontractor’s surety.” Exhibit O – MGI Subcontract Agreement.

Based upon the information reviewed, American Foundation Corp. installed the first fifty-eight (58) piles without a contract with MGI. This was confirmed by Bruce Harkness – MGI 11/28/07 email “No Contract for the first 58 piles. This work, though performed by American Foundation was paid to American through JLU.” Exhibit P – Harkness 11/28/07 Email American Foundation.

MGI has failed to provide any information to the auditor that gives consent for the assignment.

Recommendation(s):

1. MGI and sub-contractors should follow the provisions of the MGI Subcontract Agreement or modify them accordingly.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs however the information given to the County is that bids were advertised for the auger pile work in Bid Package #1 but no bids were received. MGI subsequently sought out bidders by direct contact and on June 20, 2007 the BOCC waived bid irregularities associated with this work.

Sub-Contractor Bids

22. MGI has not provided any pre-qualification information for applicable sub-contractors.

Finding:

According to the Agreement section 2.4 Construction Phase, sub section (4) Solicitation of Bids (d) "For all contracts exceeding Two Hundred Thousand Dollars (\$200,000), the Construction Manager shall establish a pre-qualification procedure for applicable subcontract trades." Exhibit A – Agreement.

Newspaper advertisements for bid packages #1, #2 and #3 mention that interested parties are invited to be pre-qualified on all trades for this project, MGI failed to provide any pre-qualification information to the auditor. Exhibit H, K, L – Ads for Bid Package #1, #2 and #3.

Recommendation(s):

1. The BOCC should ensure that there are policies and procedures in place to monitor the CMR's compliance with the Agreement.
2. The BOCC should determine the potential impact to the project resulting from MGI not providing any pre-qualification information for the applicable sub-contractors.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs.

Sub-Contractor Bids

23. MGI did not provide experience questionnaires and financial statements for sub-contractors where bids exceeded \$200,000.

Finding:

According to the Agreement section 5.3.2 Subcontract Requirements, sub section (2) "On all sub-contracts where the bid exceeds \$200,000, each sub-contractor must submit a completed experience questionnaire & financial statement on the form entitled "Experience Questionnaire & CM's Financial Statement" form #DBC – 5085, or equivalent form supplied by CM." Exhibit A – Agreement.

Based on the information reviewed, fourteen (14) of the twenty (20) bid packets sampled were in excess of \$200,000. MGI did not provide any experience questionnaires, financial statements, or a form entitled "Experience Questionnaire & CM's Financial Statement" form #DBC – 5085 for any of the sampled sub-contractors listed below.

<u>Sub-contractor</u>	<u>Description of work</u>	<u>Agreement amount</u>
Superior Mechanical	15C – HVAC	\$2,377,000
Trinity Fabricators, Inc	5A – Steel	1,904,000
Interior Details	9A - Interior Drywall Package -wall systems.	1,528,317
Charley Toppino & Sons, Inc.	2A - Demo site + 2C – site earthwork/ Development + 2G – site Utilities – Water	1,065,024
Apex Concrete Construction Corp.	3B – Cast in Place Concrete	4,650,000
JLU Enterprises Corp.	Auger Cast Pile Installation	252,633
Capital Waterproofing	7A- Caulking and sealants	324,600
Concepts Plus Casework	6B – Interior Architectural Wood work.	357,261
Terry L. Tidwell Plumbing, Inc.	15A - Plumbing	569,040
G&S Airport Conveyor	14B – Baggage Handling Systems	928,000
Mcalhany Construction Company	9A - Stucco/Plaster/Drywall	353,700
GO landscaping	2K - Landscaping allowance	217,000
Interior Details	9D - Acoustic Ceilings/Walls	516,100
Affordable Asphalt	2D - Asphalt Paving & Acc.	460,622
Total Sampled packets (14) > \$200,000		\$15,503,297

Recommendation(s):

1. The BOCC should ensure that there are policies and procedures in place to monitor the CMR's compliance with the Agreement.
2. The BOCC should determine the potential impact to the project when MGI did not provide experience questionnaires and financial statements for sub-contractors for bids exceeded \$200,000.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs.

Sub-contractor Bids

24. None of MGI's bid tabulation packets sampled by the auditor contained bid/award summaries.

Finding:

According to MGI's Project Manual, section 3.5 Bid Recommendation .1 "Prepare a Bid/Award Summary with pertinent bid information attached recommending award of contracts." Exhibit Q – MGI Project Manual, 3.5 Bid Recommendation.

Based upon the information reviewed, none of the twenty (20) sampled bid tabulation packets contained a bid/award summary.

Recommendation(s):

1. MGI should follow the provisions of the Project Manual.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs however this information has been incorporated into the GMP.

Auditor's Comment:

The GMP doesn't provide the same information that is contained on the bid/award summaries.

Sub-contractor Bids

25. Bids were received and accepted after bid due dates.

Finding:

According to the Agreement section 2.4 Construction Phase, sub section (4) Solicitation of Bids #3, "Contracts exceeding Two Hundred Thousand Dollars (\$200,000) may be entered into by the Construction Manager with the firm who is qualified and submits the most responsive proposal. The Construction Manager shall advertise these projects at least once with the last advertising appearing at least 21 calendar days prior to the established bid opening date and at least five 5 days prior to any scheduled pre-bid conference. These proposals shall be based on approved plans and specifications. Bids shall be received at the location, date and time established in the bid advertisement." Exhibit A – Agreement.

For bid package #1:

For work scope 2A-Demo site within the GMP, MGI received Duarte & Fonte Construction, Inc d/b/a Duarte Contracting & Management Corp's bid of \$1,459,998 on May 12, 2006. Exhibit R – Duarte Contracting & Management Bid Date.

For work scope 2G-Site drainage/utilities within the GMP, MGI received Charley Toppino & Sons, Inc.'s bid of \$394,933 on May 11, 2006. Exhibit S – Toppino & Sons Bid Date.

According to bid package #1 all bids should have been received by May 4, 2006. Therefore, MGI failed to follow the above mentioned section of the Agreement.

For bid package #1A:

For work scope 3A-Auger cast piles within the GMP, MGI received Ebsary Foundation Company's bid of \$639,000 on July 18, 2006. Exhibit T – Ebsary Foundation Bid Date.

According to bid package #1A all bids should have been received by July 11, 2006. Therefore, MGI failed to follow the above mentioned section of the Agreement.

For bid package #2:

For work scope 2D-Asphalt paving within the GMP, MGI received Affordable Asphalt & Contracting, Inc.'s bid of \$460,622 on August 7, 2006. Exhibit U – Affordable Asphalt Bid Date.

For work scope 5A-Steel within the GMP, MGI received Advantage Steel, Inc.'s bid of \$1,953,157 on August 11, 2006. Exhibit V – Advantage Steel Bid Date.

For work scope 9A- Plaster/drywall/framing within the GMP, MGI received Interior Details, Inc.'s bid of \$1,708,317 on November 9, 2006. Exhibit W – 9A, Interior Details Bid Date.

For work scope 9D-Acoustical ceilings/wall panels within the GMP, MGI received Interior Details, Inc.'s bid of \$470,000 on September 8, 2006. Exhibit X – 9D, Interior Details Bid Date.

For work scope 15A-Plumbing within the GMP, MGI received Terry L. Tidwell Plumbing, Inc.'s bid of \$688,475 on October 17, 2006. Exhibit Y – Terry L. Tidwell Plumbing Bid Date.

For work scope 15C-HVAC within the GMP, MGI received Stokes Mechanical Contractor, Inc.'s bid of \$4,198,350 on August 24, 2006 and they received Hyvac, Inc.'s bid of \$2,588,630 on October 6, 2006. Exhibit Z – Stokes Mechanical and Hyvac Bid Dates.

According to bid package #2 all bids should have been received by August 1, 2006. Therefore, MGI failed to follow the above mentioned section of the Agreement.

Recommendation(s):

1. The BOCC should ensure that there are policies and procedures in place to monitor the CMR's compliance with the Agreement.
2. The BOCC should determine the potential impact to the project resulting from MGI accepting late bids.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs. MGI was responsible for ensuring compliance with bidding requirements.

Sub-contractor Bids

26. MGI's bid tabulation sheet for work scope 9D – Acoustical Ceilings/Wall Panels did not contain the supporting documentation for the sub-contractor Acousti Engineering Co of Fl.'s bid of \$644,145.

Finding:

According to MGI's bid tabulation for work scope 9D – Acoustical Ceilings/Wall Panels, the sub-contractor Acousti Engineering Co. submitted a bid of \$644,145. Exhibit AA - Bid Tab 9D. Based upon the information reviewed, there was no supporting documentation indicating that the sub-contractor Acousti Engineering Co. submitted a bid of \$644,145.

MGI has failed to provide any information supporting the \$644,145 listed on the bid tabulation for sub-contractor Acousti Engineering Co.

Recommendation(s):

1. The BOCC should determine the potential impact to the project resulting from Acousti Engineering Co of Fla's bid of \$644,145 not having supporting documentation.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs however Acousti Engineering Co of Fl was not selected for the project.

Sub-contractor Bids

27. There was no bid information provided for two (2) out of the three (3) sub-contractors listed on MGI's bid tabulation sheet for work scope 15A-Plumbing.

Finding:

Based upon the information reviewed, there was no bid information provided by Wilbur Plumbing, Inc. and McLain Plumbing & Mechanical. According to the bid tabulation sheet for work scope 15A-Plumbing, Wilbur Plumbing, Inc. bid \$877,000 and McLain Plumbing & Mechanical bid \$712,075. Exhibit AB – Bid Tabulation Sheet 15A – Plumbing.

MGI failed to provide any additional bid information to the auditor.

Recommendation(s):

1. The BOCC should determine the potential impact to the project resulting from two (2) of the three (3) bids on MGI's bid tabulation for work scope 15A-Plumbing not having any supporting documentation.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs however neither of the two, Wilbur Plumbing nor McLain Plumbing, were the low bidders and were not awarded the bid.

Sub-contractor Bids

28. Work scope 15C-HVAC's bid tabulation sheet appears to have a lower bidder than the bidder who was awarded the agreement.

Finding:

For work scope 15C-HVAC within the GMP, the bid tabulation sheet has four (4) responding contractors. According to the bid tabulation form the lowest bidder was Hyvac, Inc.'s bid of \$2,588,630. The contractor that was awarded the bid was Superior Mechanical Systems with a bid of \$2,662,000. Exhibit AC – Bid Tabulation Sheet, 15C-HVAC.

MGI has failed to provide any information to the auditor that explains why the lowest bidder was not selected.

Recommendation(s):

1. The BOCC should determine the potential impact to the project resulting from MGI awarding an agreement to a contractor with a higher bid than the lowest bidder.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs however the lowest bid is not necessarily the most responsive bid. MGI is responsible for providing justification showing why the low bidder was not responsive.

Sub-contractor Bids

29. One bidder that was awarded a contract was able to change their bid after submittal and there was no documentation showing that the other responding bidders were given the same opportunity.

Finding:

For work scope 15C-HVAC, the sub-contractor Superior Mechanical Systems was able to change their original bid of \$2,990,000 which was submitted by the due date of August 1, 2006 to a lower amount of \$2,662,000 on August 25, 2006. See Exhibit AD – Superior Mechanical Bid (08/01/06 and 08/25/06 bids). Superior Mechanical Systems was awarded an agreement for this part of the GMP.

There was no documentation showing that the other responding bidders were given the opportunity to change their bids after submitting their original bids.

MGI has failed to provide any information to the auditor that explains why Superior Mechanical Systems was able to change their original bid.

Recommendation(s):

1. The BOCC should determine the potential impact to the project resulting from MGI awarding an agreement to a company that was able to change their bid after the submittal deadline.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The information provided to the County was that there were no other bidders to offer the opportunity to. Superior Mechanical was the only contractor to submit a bid by the due date. On August 25, 2006, the contractor provided some value engineering that lower his cost and thereby the bid.

Sub-contractor Bids

30. For several sub-contractors who were awarded agreements, the bid and agreement amounts are different.

Finding:

For work scope 5A-Steel within the GMP, Trinity Fabricators, Inc. was awarded an agreement with a bid of \$1,995,000. Exhibit AE – Trinity Fabricators Bid. The agreement was signed in May 2007 for an amount of \$1,904,000. Exhibit AF – Trinity Fabricators Agreement.

For work scope 6B-Interior Architectural Woodwork within the GMP, Concepts Plus Casework & Millwork, was awarded an agreement with a bid of \$401,547. Exhibit AG – Concepts Plus Bid. The agreement was signed in November 2007 for an amount of \$357,261. Exhibit AH – Concepts Plus Agreement.

For work scope 7A-Caulking and Sealants and 5B-Expansion Joint Covers within the GMP, Capital Waterproofing, Inc., was awarded an agreement with a bid of \$346,600. Exhibit AI – Capital Waterproofing Bid. The agreement was signed in August 2007 for an amount of \$324,600. Exhibit AJ – Capital Waterproofing Agreement.

For work scope 9A-Plaster/Drywall/Framing within the GMP, McAlhany Construction Company, Inc. was awarded an agreement with a bid of \$353,700. Exhibit AK – McAlhany Construction Bid. The agreement was signed in October 2007 for an amount of \$423,000. Exhibit AL – McAlhany Construction Agreement.

For work scope 9D-Acoustical Ceilings/wall panels - Interior Details, Inc. was awarded an agreement with a bid of \$470,000. Exhibit AM – Interior Details Bid. According to the GMP, Interior Details, Inc. is doing the work for an amount of \$516,100. Exhibit AN – GMP 9D Acoustic ceilings/walls. To date no agreement has been signed.

For work scope 15C-HVAC within the GMP, Superior Mechanical Systems was awarded an agreement with a bid of \$2,662,000. Exhibit AD – Superior Mechanical Bid. The agreement was signed in July 2007 for an amount of \$2,337,000. Exhibit AO – Superior Mechanical Agreement.

MGI has failed to provide any information to the auditor that explains what the differences are between the bid and agreement amounts.

Recommendation(s):

1. The BOCC should determine the potential impact to the project resulting from sub-contractors who were awarded agreements that differ from the bids they submitted.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs. While the County and MGI were trying to agree upon a GMP, bids were being received and value engineering was being performed. As a result, MGI was negotiating changes with contractors to try and lower bids. These negotiations lead to differences between the bid amount and the final contract amount.

Sub-contractor Bids

31. There was only one proposal received for additional work on scope 5A-Steel.

Finding:

According to the Agreement section 2.4 Construction Phase, sub section (4) Solicitation of Bids (#2) "Contracts exceeding Twenty Five Thousand Dollars (\$25,000) but not exceeding Two Hundred Thousand Dollars may be entered into by the Construction Manager with the firm who is qualified and submits the most responsive proposal. The Construction Manager shall request at least three (3) firms to submit sealed written proposals based on drawings and/or specifications. The written proposals shall all be received at the location, date and time named by the Construction Manager in his request for proposal. A tabulation of the results shall be furnished to the County and Architect-Engineer upon request." Exhibit A – Agreement.

For work scope 5A-Steel within the GMP, Trinity Fabricators, Inc. was awarded the contract for work on Bulletins #1 and 2, domestically produced steel and perimeter wall metal deck for an amount of \$85,000. Trinity Fabricators, Inc. was the only subcontractor that MGI received a proposal from. Trinity Fabricators, Inc. included this amount within the original bid amount awarded for a total agreement amount of \$1,904,000. Exhibit AF – Trinity Fabricators Agreement.

MGI failed to follow the above mentioned section of the Agreement.

Recommendation(s):

1. The BOCC should ensure that there are policies and procedures in place to monitor the CMR's compliance with the Agreement.
2. The BOCC should determine the potential impact to the project resulting from only one proposal being received for additional work on scope 5A-steel.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs. However, Bid Package 2 for Work Scope 5A-Steel was advertised in the newspaper and bids were due August 1, 2006. On August 1, 2006 one bid was received, from Trinity Fabricators. Additional contractors later submitted bids, Advantage Steel on August 11, 2006, and Steel Fabricators on an unknown date. Subsequently, additional work was requested in Bulletin 1 and 2. Trinity responded on August 26, 2006.

Sub-contractor Bids

32. There was only one proposal received for work scope 5B-Expansion Joint Covers.

Finding:

According to the Agreement section 2.4 Construction Phase, sub section (4) Solicitation of Bids (#2) "Contracts exceeding Twenty Five Thousand Dollars (\$25,000) but not exceeding Two Hundred Thousand Dollars may be entered into by the Construction Manager with the firm who is qualified and submits the most responsive proposal. The Construction Manager shall request at least three (3) firms to submit sealed written proposals based on drawings and/or specifications. The written proposals shall all be received at the location, date and time named by the Construction Manager in his request for proposal. A tabulation of the results shall be furnished to the County and Architect-Engineer upon request." Exhibit A – Agreement.

For work scope 5B-Expansion Joint Covers within the GMP, Capital Waterproofing, Inc. was awarded an agreement for an amount of \$71,000. Capital Waterproofing, Inc. was the only subcontractor that MGI received a proposal from for work scope 5B. Exhibit AI – Capital Waterproofing Bid.

MGI failed to follow the above mentioned section of the Agreement.

Recommendation(s):

1. The BOCC should ensure that there are policies and procedures in place to monitor the CMR's compliance with the Agreement.
2. The BOCC should determine the potential impact to the project resulting from only one proposal received for work scope 5B-Expansion Joint Covers.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs. However, Bid Package 2 for Work Scope 5B-Expansion Joint Covers was advertised in the newspaper and bids were due on August 1, 2006. On August 1, 2006 only one bid was received, Capital Waterproofing.

Sub-contractor Bids

33. There were no proposals obtained for earthwork testing, concrete testing, auger logs, and weld inspections.

Finding:

According to the Agreement section 2.4 Construction Phase, sub section (4) Solicitation of Bids (#2) "Contracts exceeding Twenty Five Thousand Dollars (\$25,000) but not exceeding Two Hundred Thousand Dollars may be entered into by the Construction Manager with the firm who is qualified and submits the most responsive proposal. The Construction Manager shall request at least three (3) firms to submit sealed written proposals based on drawings and/or specifications. The written proposals shall all be received at the location, date and time named by the Construction Manager in his request for proposal. A tabulation of the results shall be furnished to the County and Architect-Engineer upon request." Exhibit A – Agreement.

Based upon the information reviewed, there was no documentation provided that MGI attempted to obtain proposals for earthwork testing, concrete testing, auger logs, and weld inspections work. Concrete Analysis and Testing Labs is the company doing the work for an amount of \$84,501.

MGI failed to follow the above mentioned section of the Agreement.

Recommendation(s):

1. The BOCC should ensure that there are policies and procedures in place to monitor the CMR's compliance with the Agreement.
2. The BOCC should determine the potential impact to the project resulting from MGI awarding the earthwork testing, concrete testing, auger logs, and weld inspections work without obtaining proposals.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs.

Sub-Contractor Bids

34. Eight (8) of the thirteen (13) sampled sub-contractors had commenced work prior to having an executed agreement in place.

Finding:

Thirteen (13) of the twenty (20) sub-contractor bid packets that were sampled had executed contracts in place. Seven (7) sub-contractor bid packets did not have executed agreements in place prior to the completion of the audit.

Based upon the information reviewed, eight (8) of the thirteen (13) sub-contractors had commenced work prior to having an executed agreement in place. This is to sixty-two percent (62%) of the sub-contractors not having a written subcontract agreement with MGI in place prior to working on the Key West International Airport – New Terminal Building and Renovation Project.

<u>Sub-contractor</u>	<u>Description of work</u>	<u>Agreement amount</u>
Superior Mechanical Systems, Inc	15C – HVAC	\$2,377,000
Charley Toppino & Sons, Inc.	2A - Demo site 2C – site earthwork/ Development 2G – site Utilities – Water	1,065,024
Apex Concrete Construction Corp.	3B – Cast in Place Concrete (and Pre-Stressed Joint Installation)	4,650,000
JLU Enterprises Corp.	Auger Cast Pile Installation	252,633
Concepts Plus Casework	6B – Interior Architectural Wood work	357,261
American Pile Cutting, Inc	2L: Cut piles & Excavate	20,482
Concrete Analysis & Testing Labs	D.II.Earthwork tests & soil proctors. - Cast in Place Concrete testing. - Auger Cast Logs. - Weld Inspections.	84,501
American Foundation Corp	Auger Cast Pile Test Program. (Install 11 piles 30 feet in depth)	<u>40,000</u>
	Total	\$8,846,901

Recommendation(s):

1. The BOCC should ensure that there are policies and procedures in place to monitor the CMR's compliance with the Agreement.
2. The BOCC should determine the potential impact to the project of sub-contractors commencing work prior to having an executed agreement.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs. The County's contractual relationship is with MGI. MGI authorized work to proceed without an agreement at MGI's risk. The County will not make payment for any subcontract work without an executed agreement in place.

Sub-Contractor Bids

35. Some of MGI's sub-contractors are sub-contracting out work at the Key West International Airport.

Finding:

According to the MGI Subcontract Agreement, Section 16, Assignment: "Subcontractor shall not sub-subcontract the work of this Subcontract and shall not assign or transfer this subcontract or funds due hereunder, without the prior written consent of contractor & subcontractor's surety." Exhibit AP – MGI - Sub-Contractor Agreement.

According to the GMP, MGI lists "Toppino/Gary Plumbing" as the sub-contractors that will be performing the 2G – Site utilities water for \$394,933. Exhibit AQ - GMP 2G. MGI has failed to provide any information or written consent authorizing Toppino to use the sub-subcontractor Gary's Plumbing.

Based on information reviewed by the auditors, the following sub-contractors are using sub-subcontractors to perform work under their agreements.

MGI failed to provide any information or written consent authorizing Florida Keys Electric to use the sub-subcontractor IFFS in work for TSA security items.

MGI failed to provide any information or written consent authorizing Apex Concrete Construction Corp. to use the sub-subcontractor Bella Construction in lightweight concrete work.

MGI also failed to provide any information or written consent authorizing Apex Concrete Construction Corp. to use the sub-subcontractor Bill Sweeney in lightweight concrete work. On April 16, 2008, the Monroe County Board of County Commissioners waived purchasing procedures to reassign auger piling work to Apex Concrete Construction Corp. using Bill Sweeney as a subcontractor for the Key West International Airport Project.

In all of the above instances MGI failed to provide information or written consent from their surety, The Insurance Company of the State of Pennsylvania, as required by the Agreement.

Recommendation(s):

1. MGI and sub-contractors should follow the provisions of the MGI Subcontract Agreement or modify them accordingly.
2. The BOCC should determine the potential impact to the project resulting from MGI and sub-contractors contracting out work to other sub-contractors.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs however under the County's contract with MGI, MGI's sub-contractors are permitted to sub sub-contract their work. Under the terms of the contract the County has with MGI, MGI is required to enter in to a written agreement with its subs that binds the subs to MGI by the terms of the contract documents and requires the sub to assume all of the obligations and responsibilities towards MGI as MGI has towards the County. Similarly, a sub-sub is required to enter in to an agreement binding the sub-sub in the same fashion. MGI has a conformed subcontract in place, approved by the FAA, to meet the requirements of the MGI's contract with the County. It is a provision in the conformed sub-contract that is at issue here however that provision is not a requirement of the County's contract with MGI and the County is not a party to any of the sub-contracts. In fact, the County's contract with MGI specifically states that nothing contained in the contract documents creates any contractual relation between the County and any subcontractor.

Sub-Contractor Bids

36. MGI did not have all of the required sub-contractors provide the mandatory performance, labor and material payment bonds.

Finding:

According to the Agreement, Section 5.3.2 Subcontract Requirements, sub section (1), "On all subcontracts where the bid exceeds One Hundred Thousand Dollars (\$100,000) the Construction Manager may require subcontractors to provide a one hundred (100) percent performance bond and a one hundred (100) percent labor and material payment bond from a surety company authorized to do business in the State of Florida by the Department of Insurance. If the Construction Manager wishes to award subcontracts to Subcontractors unable to supply this bonding, he may request special authorization to do so. Upon providing justifiable background information, such authorization shall not be withheld unreasonably and shall be in writing." Exhibit A – Agreement.

The auditor sampled twenty (20) bid packets. Ten (10) of the twenty (20) sampled had agreements for work in excess of \$100,000. Five (5) of these ten (10) sub-contractors were required by the MGI sub-contractor agreement to furnish at their expense the above-mentioned bonds. The other five (5) sub-contractors were excluded from having to provide this bonding coverage by MGI. Exhibit AR – Require Bond Coverage.

Based upon the information reviewed from MGI, one (1) sub-contractor provided the bonding coverage and the other four (4) sub-contractors listed below did not.

<u>Sub-contractor</u>	<u>Description of work</u>	<u>Agreement Amount</u>
Superior Mechanical	15C – HVAC	\$2,377,000
Trinity Fabricators, Inc	5A – Steel	1,904,000
JLU Enterprises Corp.	Auger Cast Pile Installation	252,633
G&S Airport Conveyor	14B – Baggage Handling Systems	<u>928,000</u>
Sub-contractors required to provide bond coverage's:		\$5,461,633

Recommendation(s):

1. The BOCC should ensure that there are policies and procedures in place to monitor the CMR's compliance with the Agreement.
2. There should be a system in place to verify that sub-contractors have the contractually required bond coverage.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs. However the requirement is not a mandatory requirement. Under the language MGI "may require a subcontractor to provide a performance, labor and material bond". In addition, MGI can request that the bonding requirement be waived and the County's approval of such a request can not be unreasonably withheld. Lastly, since MGI has to fully bond the project, this is a redundant requirement that raises the cost to the County because the costs of the bonds are a reimbursable expense.

Sub-Contractor Bids

37. MGI did not follow the contractually required bonding process when excluding sub-contractor bond coverage.

Finding:

According to the Agreement, Section 5.3.2 Subcontract Requirements, sub section (1), "On all subcontracts where the bid exceeds One Hundred Thousand Dollars (\$100,000) the Construction Manager may require subcontractors to provide a one hundred (100) percent performance bond and a one hundred (100) percent labor and material payment bond from a surety company authorized to do business in the State of Florida by the Department of Insurance. If the Construction Manager wishes to award subcontracts to subcontractors unable to supply this bonding, he may request special authorization to do so. Upon providing justifiable background information, such authorization shall not be withheld unreasonably and shall be in writing." Exhibit A – Agreement.

The auditor sampled a total of twenty (20) bid packets. Ten (10) of the twenty (20) bid packets sampled had agreements for work in exceeding \$100,000. Five (5) of the ten (10) sub-contractors listed below were excluded from providing the required bond coverage. Exhibit AS – Bond Exclusions.

There was no evidence of MGI requesting special authorization from the County for MGI to exclude the below listed sub-contractors from the bonding requirements as required by the Agreement.

<u>Sub-Contractor</u>	<u>Description of Work</u>	<u>Agreement Amount</u>
Interior Details	9A - Interior Drywall Package-wall systems.	\$1,528,317
Charley Toppino & Sons, Inc.	2A - Demo site + 2C - site earthwork/ Development + 2G - site Utilities – Water	1,065,024
Apex Concrete Construction Corp.	3B - Cast in Place Concrete	4,650,000
Capital Waterproofing	7A - Caulking and sealants	324,600
Terry L. Tidwell Plumbing, Inc.	15A - Plumbing	<u>569,040</u>
Sub-contractors excluded from bond coverage:		\$8,136,981

Recommendation(s):

1. The BOCC should ensure that there are policies and procedures in place to monitor the CMR's compliance with the Agreement.
2. There should be a system in place to verify that sub-contractors have the contractually required bond coverage.
3. The BOCC should determine the potential impact to the project when excluding sub-contractor bond coverage.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs. The County would again repeat its response to item 36 here.

Disadvantage Business Enterprise

38. MGI did not provide the Proposed Disadvantage Business Enterprise (DBE) Utilization Form and DBE Identification Form in a timely manner.

Finding:

According to the Agreement section 2.1.2 Narrative Reporting System, sub section (2) (i) “NO later than 7 days prior to the Preconstruction Conference, The Construction Manager shall complete and submit the following forms; Proposed DBE Utilization, attached as Exhibit M, Final Report – Utilization of DBE’s attached as Exhibit N, and DBE Identification Form attached as Exhibit P.” Exhibit A – Agreement.

On May 3, 2006, Peter Horton notified MGI by correspondence that the Proposed DBE Utilization Form was due no later than May 15, 2006. Exhibit AT - 05/03/06 Letter to MGI by Peter Horton. The Proposed DBE Utilization Form and DBE Identification Form were received by Montgomery Consulting Group on April 20, 2007. Exhibit AU - 04/20/2007 DBE Transmittal from MGI to Montgomery Consulting.

Recommendation(s):

1. The BOCC should ensure that there are policies and procedures in place to monitor that Montgomery Consulting Group is properly monitoring the CMR’s compliance with the Agreement.
2. The BOCC should determine the potential impact to the project resulting from MGI not providing a DBE Utilization Form and DBE Identification Form in a timely manner.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs however the deficiency has since been corrected.

Auditor’s Comment:

This finding refers to the timeliness of the submission of this project document.

Disadvantage Business Enterprise

39. MGI did not properly complete the Proposed DBE Utilization Form for four (4) DBE Firms and the DBE Identification Form for Florida Keys Electric, Inc.

Finding:

According to the Agreement section 2.1.2 Narrative Reporting System, sub section (2) (i) “NO later than 7 days prior to the Preconstruction Conference, The Construction Manager shall complete and submit the following forms; Proposed DBE Utilization, attached as Exhibit M, Final Report – Utilization of DBE’s attached as Exhibit N, and DBE Identification Form attached as Exhibit P.” Exhibit A – Agreement.

The Proposed DBE Utilization Form received by Montgomery Consulting Group on the line “ESTIMATED PERCENTAGE OF TOTAL PROJECT:” contains incorrect calculations for the four DBE Firms listed on the form. Exhibit AV - DBE Utilization Form.

The DBE Identification Form for Florida Keys Electric, Inc. received by Montgomery Consulting Group has several items that were left incomplete. The “ESTIMATED PARTICIPATION BY THIS DBE CONTRACTOR AT PRECONSTRUCTION CONFERENCE: \$8,700.” does not correspond with the “ESTIMATED PARTICIPATION \$5,538,650.” amount listed for this contractor on the Proposed DBE Identification Form for Florida Keys Electric, Inc. The “ESTIMATED PERCENTAGE OF TOTAL PROJECT FOR THIS DBE CONTRACTOR: .0003%” is an incorrect calculation. Exhibit AW - DBE Identification Form.

Recommendation(s):

1. The BOCC should ensure that there are policies and procedures in place to monitor that Montgomery Consulting Group is properly monitoring the CMR’s compliance with the Agreement.
2. The BOCC should determine the potential impact to the project resulting from MGI not properly completing DBE Utilization Forms and a DBE Identification Form.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs.

Disadvantage Business Enterprise

40. MGI did not complete the DBE Identification Form for three (3) of the sub-contractors on the Proposed DBE Utilization Form.

Finding:

According to the Agreement section 2.1.2 Narrative Reporting System, sub section (2) (i) “NO later than 7 days prior to the Preconstruction Conference, The Construction Manager shall complete and submit the following forms; Proposed DBE Utilization, attached as Exhibit M, Final Report – Utilization of DBE’s attached as Exhibit N, and DBE Identification Form attached as Exhibit P.” Exhibit A – Agreement.

The Proposed DBE Utilization Form and DBE Identification Form were received by Montgomery Consulting Group on April 20, 2007. The Proposed DBE Utilization Form listed four (4) DBE firms, but there was only one DBE Identification Form included for Florida Keys Electric, Inc. Exhibit AV - DBE Utilization Form.

The three (3) sub-contractors that did not have a completed DBE Identification Form were GO Fence, Inc., GO Fence Landscaping, and Superior Mechanical.

Recommendation(s):

1. The BOCC should ensure that there are policies and procedures in place to monitor that Montgomery Consulting Group is properly monitoring the CMR’s compliance with the Agreement.
2. The BOCC should determine the potential impact to the project resulting from MGI not completing DBE Identification Forms.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs.

Disadvantage Business Enterprise

41. MGI did not provide the DBE Payment Certification Form for Florida Keys Electric, Inc. and GO Fence, Inc. in a timely manner.

Finding:

According to the Agreement section 2.1.2 Narrative Reporting System, sub section (2) (h) “The DBE Expenditure Report form, attached to this Agreement as Exhibit L and the DBE Payment Certification form, attached to this agreement as Exhibit L, are to be completed and submitted each month with each pay request.” Exhibit A – Agreement.

According the MGI’s PMIS #8 for June 2006, Florida Keys Electric, Inc., a DBE, began working on-site at the airport at this time. Exhibit AX – PMIS #8, Construction Progress Report.

The DBE Payment Certification Form itself states “1) PAGE 1 OF FORM DUE BY THE 10TH OF EACH MONTH AFTER DBE STARTS WORK WHETHER PAYMENT IS MADE BY PRIME CONTRACTOR OR NOT” Exhibit AY – GO Fence DBE Payment Certification.

The DBE Payment Certification Form for Florida Keys Electric, Inc. should have been submitted in July 2006. The form for Florida Keys Electric, Inc. was completed in January 2007, and received by Montgomery Consulting Group on April 2007. Exhibit AZ – FL Keys DBE Payment Certification.

According the MGI’s PMIS #8 for June 2006, Go Fence, Inc., a DBE, began working on-site at the airport at this time. Exhibit AX – PMIS #8, Construction Progress Report.

The DBE Payment Certification Form for Go Fence, Inc. should have been submitted in July 2006. The form for GO Fence, Inc. was completed and received by Montgomery Consulting Group on November 2007. Exhibit AY – GO Fence DBE Payment Certification.

Recommendation(s):

1. The BOCC should ensure that there are policies and procedures in place to monitor that Montgomery Consulting Group is properly monitoring the CMR’s compliance with the Agreement.
2. The BOCC should determine the potential impact to the project resulting from MGI not providing DBE Payment Certification Forms in a timely manner.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs.

Disadvantage Business Enterprise

42. The DBE Expenditure Report for Florida Keys Electric, Inc. contains errors/misstatements.

Finding:

According to the Agreement section 2.1.2 Narrative Reporting System, sub section (2) (h) "The DBE Expenditure Report form, attached to this Agreement as Exhibit L and the DBE Payment Certification form, attached to this agreement as Exhibit L, are to be completed and submitted each month with each pay request." Exhibit A – Agreement.

The DBE Expenditure Form for Florida Keys Electric, Inc. was received by Montgomery Consulting Group on April 20, 2007. The "TOTAL ESTIMATED DBE CONTRACT PARTICIPATION FOR THIS DBE CONTRACTOR: \$10,633." does not correspond with the "ESTIMATED PARTICIPATION \$5,538,650." amount listed for this contractor on the Proposed DBE Identification Form for Florida Keys Electric, Inc. The "ESTIMATED PERCENTAGE OF TOTAL PROJECT FOR THIS DBE CONTRACTOR: .0005%" is an incorrect calculation. Exhibit AAA – FL Keys Expenditure Form.

Recommendation(s):

1. The BOCC should ensure that there are policies and procedures in place to monitor that Montgomery Consulting Group is properly monitoring the CMR's compliance with the Agreement.
2. The BOCC should determine the potential impact to the project resulting from MGI not properly completing a DBE Expenditure Report.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs.

With regards to audit items 38 – 42 the County would point out that the contract between MGI and the County has a DBE goal of 15%. MGI will either have to provide documentary proof that MGI awarded 15% of the work to DBE certified contractors or MGI will have to provide documentary proof of a good faith effort to obtain the 15% goal prior to grant closeout. The County would also point out that MGI has been working to qualify subcontractors that it identified as being eligible for certification and 2 of the subcontractors named in the audit, Go Fence, Inc. and Go Fence Landscaping have now been certified as a DBE.

Project Manual

43. MGI did not include copies of any subcontracts in the project manual.

Finding:

According to the Agreement Section 5.5 Subcontracts to be provided, “The Construction Manager shall include a copy of each subcontract, including the general supplementary conditions, in the project manual.” Exhibit A – Agreement.

The project manual that the auditor received did not include copies of any subcontracts.

MGI has failed to provide any information to the auditor that explains why they were not included.

Recommendation(s):

1. The BOCC should ensure that there are policies and procedures in place to monitor CMR’s compliance with the Agreement.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs however subcontracts have been provided to the County as a separate document.

PMIS Reporting

44. MGI did not include the required construction contingency in the monthly PMIS reports.

Finding:

According to the Agreement section 7.4 “At the time of submission of a Guaranteed Maximum Price, the Construction Manager will verify the time schedule for activities and work which were adopted by the Construction Team and used to determine the Construction Manager’s cost of work. In addition to the cost of work, a GMP will include an agreed upon sum as the construction contingency which is included for the purpose of defraying the expenses due to unforeseen circumstances relating to construction. The Construction Manager will be required to furnish documentation evidencing expenditures charged to this contingency prior to the release of funds by the County. Documentation for use of the Contingency shall be determined by the Construction Team, included in the Project Manual and displayed monthly in the PMIS. The Architect-Engineer shall verify the actual costs. If bids are received below the applicable line items in the GMP, the surplus will be added to the contingency.” Exhibit A – Agreement.

MGI prepared PMIS reports #1 (November 2005) through #19 (May 2007) do not contain a construction contingency.

Recommendation(s):

1. The BOCC should ensure that there are policies and procedures in place to monitor the CMR’s compliance with the Agreement.
2. County Management should have procedures in place to monitor PMIS reporting.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs however the County directed MGI to set a contingency amount of \$0 since the project exceeded the desired GMP and contained cost cutting items. As such, there was no contingency to include in the PMIS reports.

PMIS Reporting

45. MGI did not provide the monthly PMIS reports in a timely manner.

Finding:

According to the Agreement section 2.1 PROJECT MANAGEMENT INFORMATION SYSTEM (PMIS) 2.1.1 General: (2) “The reports, documents, and data to be provided shall represent an accurate assessment of the current status of the Project and of the work remaining to be accomplished and it shall provide a sound basis for identifying variances and problems and for making management decisions. It shall be prepared and furnished to the County and the Architect-Engineer monthly and shall accompany each pay request.” Exhibit A – Agreement.

Eighteen (18) of the Nineteen (19) PMIS Reports received by the County were not timely. On average, the County received the monthly PMIS reports 144 days after the last day of the month for the PMIS period covered. Exhibit AAB – PMIS received dates.

PMIS #	PMIS Report: Last day of month	County Received report	# days after last day of month	PMIS #	PMIS Report: Last day of month	County Received report	# days after last day of month
#1	11/30/2005	9/15/2006	289	#11	9/30/2006	11/09/2006	40
#2	12/30/2005	9/29/2006	273	#12	10/31/2006	11/09/2006	9
#3	1/31/2006	10/13/2006	255	#13	11/30/2006	6/29/2007	211
#4	2/28/2006	10/13/2006	227	#14	12/31/2006	6/27/2007	178
#5	3/31/2006	10/13/2006	196	#15	1/31/2007	6/30/2007	150
#6	4/30/2006	10/19/2006	172	#16	2/28/2007	6/30/2007	122
#7	5/31/2006	10/27/2006	149	#17	3/31/2007	6/30/2007	91
#8	6/30/2006	10/27/2006	119	#18	4/30/2007	6/30/2007	61
#9	7/31/2006	10/27/2006	88	#19	5/31/2007	7/02/2007	32
#10	8/31/2006	11/09/2006	70	Average # of days for county to receive monthly PMIS reports			144

Recommendation(s):

1. The BOCC should ensure that there are policies and procedures in place to monitor the CMR's compliance with the Agreement.

2. County Management should have procedures in place to monitor PMIS reporting.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs.

PMIS Reporting

46. MGI did not provide the Cost Status Report with PMIS Reports numbered one (#1) through thirteen (#13).

Finding:

According to the Agreement section 2.1.5 Project Accounting Subsystem (a) Cost Status Report – “showing the budget, estimate, and base commitment (awarded contracts and purchase orders) for any given contract or budget line item. It shall show approved change orders for each contract which when added to the base commitment will become the total commitment. Pending change orders will also be shown to produce the total estimated probable cost to complete the work.” Exhibit A – Agreement.

MGI’s first thirteen (13) PMIS Reports did not contain the Cost Status Report which gives a breakdown of the project.

Recommendation(s):

1. The BOCC should ensure that there are policies and procedures in place to monitor the CMR’s compliance with the Agreement.
2. County Management should have procedures in place to monitor PMIS reporting.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs.

PMIS Reporting

47. MGI did not provide PMIS reports with the first six (6) pay requests.

Finding:

According to the Agreement section 2.1 PROJECT MANAGEMENT INFORMATION SYSTEM (PMIS) 2.1.1 General: (2) “The reports, documents, and data to be provided shall represent an accurate assessment of the current status of the Project and of the work remaining to be accomplished and it shall provide a sound basis for identifying variances and problems and for making management decisions. It shall be prepared and furnished to the County and the Architect-Engineer monthly and shall accompany each pay request.” Exhibit A – Agreement.

MGI’s first six (6) pay requests did not contain PMIS Reports as required by the Agreement.

Recommendation(s):

1. The BOCC should ensure that there are policies and procedures in place to monitor the CMR’s compliance with the Agreement.
2. County Management should have procedures in place to monitor PMIS reporting.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

The County concurs.

Insurance

48. MGI's Certificate of Liability Insurance is incomplete.

Finding:

According to the Agreement section 13.2 Construction Manager's Insurance, (9) Certificate of Insurance - "The County shall be furnished proof of coverage of insurance as follows: Certificate of Insurance form will be furnished to the County along with the Contract Documents. This Certificate shall be dated and show: (a) The name of the insured Construction Manager, the specific job by name and job number, the name of the insurer, the number of the policy, its effective date, and its termination date." Exhibit A – Agreement.

The Certificate of Liability Insurance does not state the specific job by name and job number. Exhibit AAC – Certificate of Liability Insurance.

Recommendation(s):

1. The BOCC should ensure that the Certificate of Insurance is corrected to reflect the proper job name and number.

MGI Response(s):

The Morganti Group, Inc. responses and comments to the audit are located in Section VII. Auditee Responses.

County Administrator Response(s):

MGI is an international company and their insurance covers all the projects that they are working on. As such they do not have individual insurance policies for each project. The County is unaware of any concerns regarding the adequacy or completeness of MGI's insurance on this project.