

**Review of Contract HW554 with Chicago Bridge & Iron
Environmental & Infrastructure, Inc.**

Division of Waste Management

Report: A-1617DEP-006

Office of Inspector General

Internal Audit Section

Florida Department of Environmental Protection

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The Department of Environmental Protection's (Department) Office of Inspector General (OIG) conducted a review of DEP Contract No. HW554 (Agreement) with Chicago Bridge & Iron Environmental & Infrastructure, Inc. (Contractor). This review was initiated as a result of the Fiscal Year (FY) 2016-2017 Annual Audit Plan.

Scope and Objectives

The scope included a review of Agreement invoice documentation submitted to the Bureau of Waste Cleanup (Bureau) from January 2016 through September 2016.

The objectives of this review were to determine whether:

- invoice supporting documentation meets requirements of the Agreement for payment
- payments for cost estimates followed appropriate rate and structure specified in the Agreement

Methodology

This review was conducted under the authority of Section 20.055, Florida Statutes (F.S.), and in conformance with the International Standards for the Professional Practice of Internal Auditing, published by the Institute of Internal Auditors, and Principles and Standards for Offices of Inspector General, published by the Association of Inspectors General. This included a review of payments and supporting documents, and interviews with Bureau staff.

Background

The Agreement was originally executed on February 16, 2011, with the Contractor to provide professional engineering and geological services to the Department. The Agreement was amended on July 2, 2014, to reflect the Contractor's name change from Shaw Environmental, Inc., to Chicago Bridge & Iron Environmental & Infrastructure, Inc. To receive work under the

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Agreement, the Contractor must submit a cost estimate to the Bureau. This includes an estimate of the Contractor's labor costs with an applied multiplier rate structure established in Attachment E of the Agreement.

In December 2015, we completed a limited review of the multiplier rates and structure used to determine the total labor cost upon request from the Bureau. During the period of February 2011 to November 2015, an error in payment occurred due to the use of an incorrect multiplier rate structure from previous agreement HW513. The Contractor was overpaid by \$325,589.77. Based on the review, the Contractor reimbursed the Department for the overpayment on June 23, 2016. This review was initiated as a follow up to verify corrective actions taken by the Bureau. From January 2016 through September 2016, the Bureau made 26 payments to the Contractor for work performed under 16 task assignments for a total of \$1,075,803.28.

Results and Conclusions

Supporting Documents

We reviewed supporting documents for the 16 task assignments that were paid and completed since January 2016. For these payments, we compared the required deliverable as indicated in each Task Assignment Notification Form or Task Assignment Change Order Form for each payment to the deliverable the Contractor submitted to the Bureau. For each of the 26 payments, the Bureau had received the required deliverable. Additionally, we compared the payments for the 16 task assignments to related invoices and disbursement approval forms. We found no errors in payments to the Contractor.

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For the 16 task assignments included in our review, there were 33 change orders. Overall, these change orders were made for documented adjustments to task assignment terms, most often for approved due date extensions, scope of work updates, and the adjustment of estimated costs to reflect actual costs. The 33 change orders resulted in a net decrease in payment to the Contractor of \$64,096.80.

We reviewed a sample of ten change orders and determined that documented approval supported each change order and work change directive tested. Each change order was also supported by the appropriate Task Assignment Change Order Form, Memorandum, and Work Change Directive, if necessary.

Multiplier Rates

We compared labor costs listed in the 16 cost estimates to the total labor cost calculated based on the direct labor cost and multiplier rate structure used in the Agreement. Based on this comparison, the 16 cost estimates included the multiplier rates and rate structure, as required in the Agreement.

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To promote accountability, integrity, and efficiency in state government, the OIG completes audits and reviews of agency programs, activities, and functions. Our audit was conducted under the authority of Section 20.055, F.S., and in conformance with the International Standards for the Professional Practice of Internal Auditing, published by the Institute of Internal Auditors, and Principles and Standards for Offices of Inspector General, published by the Association of Inspectors General. The audit was conducted by Tyler Bradford and supervised by Valerie J. Peacock.

Please address inquiries regarding this report to the OIG's Audit Director by telephone at (850) 245-3151. Copies of final reports may be viewed and downloaded via the internet at <http://www.dep.state.fl.us/ig/reports.htm>. Copies may also be obtained by telephone (850) 245-3151, by fax (850)245-2994, in person or by mail at Department of Environmental Protection, Office of Inspector General, 3900 Commonwealth Boulevard, Mail Station #41, Tallahassee, FL 32399.

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