

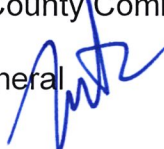


Memorandum



Miami-Dade County Office of the Inspector General
A State of Florida Commission on Law Enforcement Accredited Agency
601 NW 1st Court ♦ South Tower, 22nd Floor ♦ Miami, Florida 33136
Phone: (305) 375-1946 ♦ Fax: (305) 579-2656
Visit our website at: www.miamidadeig.org

To: The Honorable Carlos A. Gimenez, Mayor, Miami-Dade County
The Honorable Audrey M. Edmonson, Chairwoman
And Members, Board of County Commissioners, Miami-Dade County

From: Mary T. Cagle, Inspector General 

Date: May 22, 2019

Subject: Follow-up Review of Agenda Item 8(O)1 Approved on March 5, 2019:
Amendment 1 to AECOM Technical Services, Inc. Professional Services
Agreement for Consent Decree Program Management and Construction
Management (PMCM) Services; Ref. IG19-0004-O

INTRODUCTION & BACKGROUND

As you may recall, the Office of the Inspector General, on March 1, 2019, issued a memorandum concerning the compensation increase being recommended by the Water and Sewer Department (WASD) to pay for services provided by AECOM Technical Services, Inc. (AECOM). In that memo, the Office of the Inspector General (OIG) acknowledged that an extension of the contract was clearly needed to complete the Consent Decree (CD) program of projects, but we were unable to opine on the reasonableness of the proposed \$48.8 million increase to the maximum compensation that could be paid pursuant to the Professional Services Agreement (PSA) between the County and AECOM.

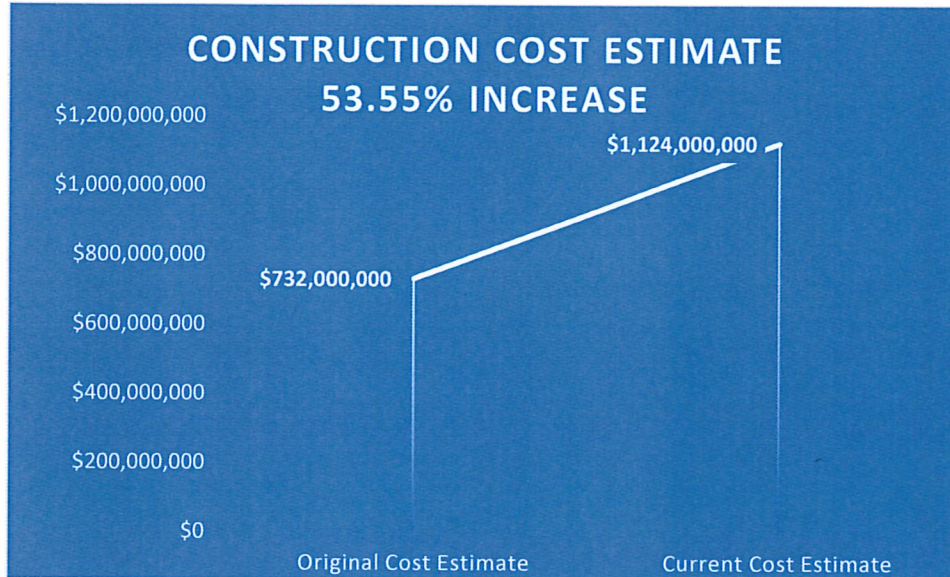
WASD's premise for the recommended \$48.8 million increase relied upon a calculated linkage of the original \$91,149,497 PSA amount to an early construction cost estimate of \$732 million. The justification for the increase noted an escalation in the current construction cost estimate from \$732 million to \$1.124 billion and sought a parallel percentage increase of 53.55% in the PMCM fees¹ from \$91,149,497 to \$139,394,748, a relationship that is shown in OIG Charts 1 and 2 on the next page.

One of the OIG's concerns was the validity of the \$732 million estimate that was being referenced to support the proposed amendment. As we noted, the PMCM maximum compensation in the original agreement was linked to 7% of the construction estimate (see Attachment C of the PSA); however, Attachment C was silent as to the actual

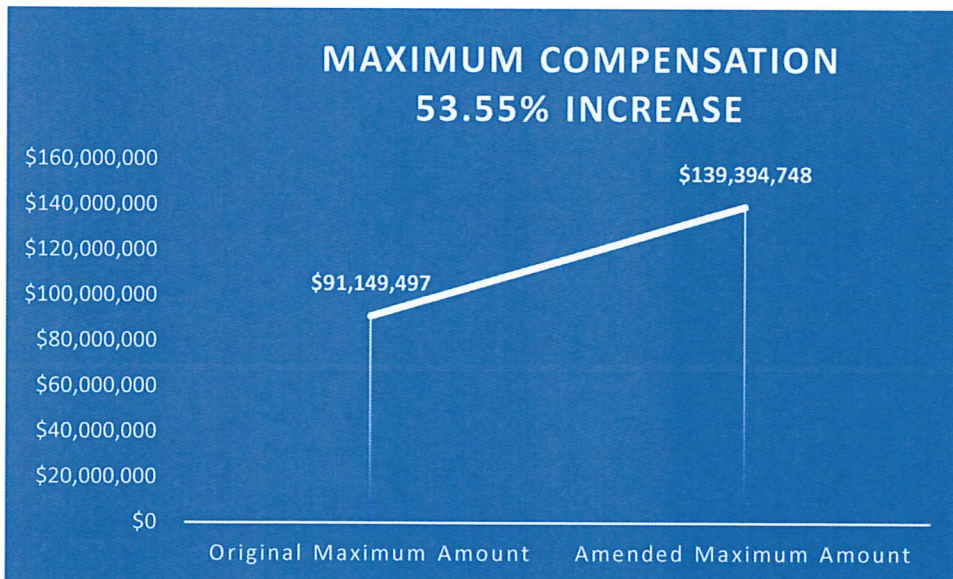
¹ AECOM's fee increase is essentially a not-to-exceed amount. There is no guarantee that AECOM will receive the full PSA amount, and there is no obligation by the County that it must continue to engage AECOM for the remainder of the CD Program.

construction cost estimate. Based on WASD's representation that the original construction cost estimate was \$732 million, the PMCM services (\$91 million) would be 12.5%² of the estimate, not 7% as depicted in Attachment C. Other concerns noted by the OIG in our memorandum involved the past expenditures and the basis of negotiating the proposed amendment.

OIG Chart 1



OIG Chart 2



² See March 4, 2019 "Report Regarding Consent Decree for Amendment Number One to the PSA with AECOM" (hereinafter, Mayor's Supplemental Report), page 6.

In the Mayor's Supplemental Report provided to the Board of County Commissioners (BCC) for the March 5, 2019 hearing, the Administration addressed many of the OIG's issues. WASD noted that the increased construction cost estimate is the result of further refining of project scopes and the additional work needed to complete the CD Program.³ In addition, WASD emphasized that the greater project costs are not the result of materials escalation or work performed by WASD staff, which were specifically excluded from this amount.⁴ The simple explanation provided for the fee increase was that the greater number of projects required greater program/construction management services, i.e., more projects, more personnel, and, as a result, more fees. The OIG, however, was still not able to endorse the proposed amendment's compensation increase without additional information pertaining to the original baseline construction cost estimate. During the hearing, the OIG indicated that we would be requesting from WASD additional information into the subject circumstances. This memorandum sets forth the results of our further review.

OIG FURTHER ANALYSIS & REVIEW

Subsequent to the BCC's approval of Amendment 1 of the PSA, the OIG met with the WASD Director and his Senior Advisor for Capital Projects and Compliance. Attending this meeting was the Commission Auditor and members of his staff. The purpose of the meeting was to solicit a better understanding of the rationale supporting the recommended amendment. The OIG also later met with representatives of AECOM, with WASD staff present, to develop a better appreciation of the firm's perspective and their preparations for the negotiation of the amendment, as well as management of future fee usage.

During our March 22, 2019 meeting with WASD, the OIG queried the department about the history of the task orders and sought assurances that the recommended increase was pragmatic and fully encompassed the current and future undertakings necessary for AECOM to complete the CD program. As noted by the WASD Director, there is no dispute that past payments to AECOM were a result of task orders issued by WASD, including a limited number of tasks that were beyond the program scope, as well as other tasks that increased the level of effort originally budgeted. While the department initiated an accounting exercise "to identify work that could be considered either out of scope or beyond the amount of work anticipated in the original contract," this effort was discontinued in lieu of a different approach.

³ Originally, there were 81 defined CD projects; currently, there are 176 independent sub-projects (see earlier Mayor's Supplemental Report) that comprise the CD program. Reasons given for the program "expansion" are that during the project validation stage, various concerns were identified including sea level rise considerations, project delivery methods for acceleration, SBE mandates, and current (at that time) infrastructure conditions.

⁴ Per the Mayor's Recommendation, dated March 5, 2019, the cost of materials escalation and WASD work totaled \$39 Million.

Instead, the department focused on the status of the CD Program, the expenditures and encumbrances to date, and what amount of additional dollars to fund PMCM services was needed to complete the program. The OIG acknowledges that a detailed accounting of past expenditures would not alter the fact that there were insufficient funds to complete the CD Program. After all, pursuant to the terms of the PSA, the actual work that AECOM performed and invoices paid was all based on duly issued, WASD-authorized task orders. In other words, the management control for all expenditures by AECOM has always rested with WASD.

Fee Expenditures Data

The aforementioned Mayor's Supplemental Report noted that, through February 2019, AECOM has been paid \$71,497,054 out of the original \$91,149,497 compensation amount. The OIG has since learned that, at the time the amendment was approved, there was a total of 69 task orders, 26 closed task orders and 43 active task orders.

Initial and Current Program Construction Cost

The Mayor's Supplemental Report provided a listing, by project, of each CD project showing the original \$732 million valuation and the current \$1.124 billion valuation. This illustrated table of the comparable estimates was attached as Exhibit A. The OIG sought assurances that the \$732 million estimate existed at the beginning of the AECOM engagement. As a result of the OIG inquiries, WASD provided documentation evidencing that the original construction cost estimate relied upon by the parties at the start of the CD program was \$732 million. Furthermore, AECOM used that amount in its many CD status update presentations to WASD showing it as the beginning amount labeled "REV0 2012."

Fee Increase Justification

The decision to explain the need for additional PMCM fees by a simple correlation of the percentage increase from an early construction cost estimate (\$732M) to a recent construction cost estimate (\$1.124B) appears to be merely a matter of convenience. It was an explanation that was easy to present and had a certain appeal. Especially, since the accounting exercise to identify out of scope assignments and unanticipated level of effort was abandoned, the percentage formula increase provided a framework to justify an overall increased level of effort needed to complete the CD program.

That being said, to arrive at the negotiated fee increase, both AECOM and WASD had to analyze the scope of the remaining projects in the Program and develop estimates for the PMCM services necessary for AECOM to complete the CD Program. Both entities

independently arrived at estimated amounts that were about 15% higher⁵ than the final amount recommended and approved by the BCC. This differential between the projected increases initially developed by both parties and the final recommended amount of increase in the PMCM fees demonstrates that the negotiations between AECOM and WASD resulted in savings to the ratepayers.

During subsequent meetings with WASD/AECOM, the OIG learned that, in order to complete the CD program within the adjusted fee structure of Amendment 1, AECOM has recently agreed to relocate its project staff (35 FTEs) to available space at the WASD Douglas Road headquarters building. By locating staff in WASD facilities, there is a projected savings of approximately \$9 million over the remaining years of the CD program. (The contractual multiplier applied to AECOM team members direct salary costs will be reduced from 2.85% to 2.4%.)

In summary, the OIG has obtained records from both WASD and AECOM that document both the original 2012 construction cost estimate and the current CD construction cost estimate and is satisfied with the records provided. In addition, we have come to recognize that the original AECOM PMCM fee was a negotiated amount based on each party's understanding of the scope of work and level of effort required at the time. One of the tasks completed by AECOM (at the direction of WASD) in or about the summer of 2016 was to revalidate earlier construction cost estimates prepared by WASD. This effort, which involved significant input from WASD, was the first in a series of events that formed the basis for future negotiations about amending the PSA's not-to-exceed amount.

GOING FORWARD and CONTINUING OIG OVERSIGHT

One tangible product of the fee negotiations is a new software tracking system developed for use by AECOM and WASD to ensure the program is completed within the maximum compensation provided for in Amendment 1 to the PSA. This software program, developed by AECOM with WASD's assistance (and owned by WASD), will allow for continuous adjustments in the fee expenditure projections based on the tracking of project schedules and associated staff utilization from AECOM, as well as from the various firms partnered with AECOM. This application provides a real time estimate of the expenditures being incurred (a.k.a. the burn rate) and the marginal deviation, if any, from the program's budget projections. This software tool will be used to develop the periodic expenditure reports requested by the BCC. A notable benefit of the application is that it allows for the parties to conduct "what if" scenarios showing projected cost impacts of prospective schedule delays, personnel changes, and other operational changes and does so with an immediate showing of results.

⁵ Pursuant to OIG discussions with Lynette Ramirez, WASD Senior Advisor for Capital Projects and Compliance, on March 22, 2019, and with Lynn Feldmann, AECOM Program Construction Manager on May 8, 2019.

AECOM and WASD now have a new tool for aggressively managing future PMCM services -- a tool that graphically depicts to the dollar, to the specific projects, and to individual team member positions the resources being expended. In addition, during one of our follow-up meetings with AECOM and WASD, the OIG reviewed and suggested modifications to AECOM/WASD's proposed reporting format to comply with the BCC's directives. The OIG will continue to monitor the generated reports and reporting process related to AECOM's actual/projected fee usage, as part of its oversight of the WASD Consent Decree program.

Please do not hesitate to contact my office if further information or clarification is required.

c: Abigail Price-Williams, County Attorney
Jack Osterholt, Deputy Mayor
Kevin T. Lynskey, Director, Water and Sewer Department
Yinka Majekodunmi, CPA, Commission Auditor