



# Florida Department of TRANSPORTATION

Office of Inspector General  
Robert E. Clift, Inspector General

  
for the Inspector General

Audit Report No. 17C-3003  
Target Engineering Group, LLC.  
Contains Confidential Information<sup>1</sup>

December 21, 2017

## What We Did

The Office of Inspector General (OIG) conducted a post audit of the Standard Professional Services Agreement (agreement) C-9440 between the Florida Department of Transportation (department) and Target Engineering Group, LLC. (TEG) for the period of December 19, 2011 through December 18, 2016. We conducted the audit as part of the Fiscal Year (FY) 2016-2017 annual audit plan.

We reviewed the agreement, job cost records, and invoices for reasonableness. Our analysis compared the agreement's total contractually "allowed" amounts for compensation, amounts "invoiced" by the consultant, and actual costs "incurred" and recorded in TEG's job cost accounting records. We also compared the personnel who performed the scope of services to those individuals TEG proposed.

## What We Found

We determined TEG's job cost report was adequate to enable us to rely upon the project detail and transactions related to the amounts invoiced and incurred. Shown below is the combined reporting of total contract amount and hours allowed, invoiced, and incurred. In addition, we observed:

- 93 percent of hours incurred were performed by staff initially proposed or added via an Action Request Form;
- Out of 17 individuals included as key personnel (7 core, 10 add-ons), eleven charged time to the project.

	Allowed	Invoiced	Incurred
<b>Contract Dollars</b>	\$ 466,116	\$ 466,111	\$ 466,048
<b>Hours</b>	5,023	5,022	5,022

Source: Contract C-9440, TEG invoices and job cost

Nothing came to our attention that would indicate TEG did not comply with applicable laws, rules, and terms of the agreement. We also found the invoiced amounts to be supported.

<sup>1</sup> See page 10 regarding restriction on use.

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## **BACKGROUND AND INTRODUCTION**

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On December 19, 2011, TEG entered into Standard Professional Services Agreement (agreement) C-9440 with the department. The purpose of this agreement was for the performance of Construction Engineering and Inspection services required for contract administration, inspection, and materials sampling and testing for construction projects assigned or authorized for District 1.

The original agreement period was from December 19, 2011 through December 18, 2016. For satisfactory completion of service authorized under this agreement, the department agreed to pay the consultant a Total Maximum Limiting Amount not to exceed \$1,500,000. The agreement contained 12 task work orders, with a total contract value of \$466,116.<sup>2</sup> See Attachment 1 for a complete listing of all task work orders.

As reported under the Results of Review section, our analysis compared the agreement's total contractually "allowed" amounts for compensation, amounts "invoiced"<sup>3</sup> by the consultant, and actual costs "incurred" and recorded in TEG's job cost accounting records.

Allowable compensable costs are defined in the agreement's Exhibit B - Method of Compensation. Supporting the compensation amounts are "Audit Fee" schedules submitted to the department at the time of negotiations, which include payroll registers and labor costs by job class.

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<sup>2</sup> The agreement's total compensation is based on a combination of lump sum and limiting amounts methods of compensation, which is dependent upon the type of service provided.

<sup>3</sup> The method of compensation's cost driver is direct labor, which is burdened with approved overhead, direct expense, facilities capital cost of money (FCCM), and operating margin mark ups. Our reporting of incurred costs in the cost analyses relied upon contractually allowed mark ups of direct labor.

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## RESULTS OF REVIEW

We determined TEG's job cost report was adequate to enable us to rely upon the project detail and transactions related to the amounts invoiced and incurred. Shown below is the combined reporting of total contract amount and hours allowed, invoiced, and incurred. In addition, we observed:

- 93 percent of hours incurred were performed by staff initially proposed or added on via an Action Request Form;
- Out of 17 individuals included as key personnel (7 core, 10 add-ons), eleven charged time to the project.

	Allowed	Invoiced	Incurred
<b>Contract Dollars</b>	\$ 466,116	\$ 466,111	\$ 466,048
<b>Hours</b>	5,023	5,022	5,022

Source: Contract C-9440, TEG invoices and job cost

Nothing came to our attention that would indicate TEG did not comply with applicable laws, rules, and terms of the agreement. We also found the invoiced amounts to be supported.

### Observation 1 – Analysis of Allowed, Invoiced, and Incurred Cost

Our analysis compared the agreement's total contractually "Allowed" amounts for compensation, amounts "Invoiced" by the consultant, actual cost "Incurred" and recorded in TEG job cost accounting records. We also found the invoiced amounts to be supported. See Table 1.

Table 1 – Analysis of Allowed, Invoiced, and Incurred Cost

<b>Target Engineering Group, Inc. C9440 District Wide CEI Support</b>			
	Allowed	Invoiced	Incurred
<b><u>Limiting Amount</u></b>			
Hours	5,023	5,022	5,022
Direct Labor	\$ 122,821	\$ 122,822	\$ 122,796
Overhead			
Labor Subtotal			
Operating Margin			
FCCM			
Direct Expense			
TEG Subtotal	\$ 319,890	\$ 319,885	\$ 319,822
<b><u>Subconsultants</u></b>			
KCCS, Inc.	\$ 104,774	\$ 104,774	\$ 104,774
Volkert, Inc.	14,616	14,616	14,616
DRMP, Inc.	1,403	1,403	1,403
Infrastructure Engineers, Inc.	25,434	25,434	25,434
Subs Subtotal	146,227	146,227	146,227
<b>Total</b>	\$ 466,116	\$ 466,111	\$ 466,048

Source: Contract C-9440, TEG invoices and job cost records.

**Observation 2 – Utilization of Labor Resources**

From a post-contract performance perspective, we compared TEG's personnel used to perform the scope of services versus those individuals proposed during the initial procurement and negotiation process.

To conduct this work, we compared the list of individuals and the hours proposed or added to those recorded in TEG's job cost records. As reported in Table 2, 93 percent of hours incurred by TEG were performed by staff initially proposed, or added via department authorized Action Request Forms.

Table 2 – Utilization of Labor Resources Proposed

Target Engineering Group, LLC.		
	Hours Incurred	Percentage Utilized
Proposed Staff	4,687	93%
Other Staff	335	7%
Total Hours Expended	5,022	100%

Source: TEG job cost records - labor hours incurred

We also conducted an analysis of those key individuals included in the original proposal to determine utilization. We found that 11 of the 17 individuals considered key personnel (7 core, 10 add-ons) charged time to the project.

## **APPENDIX A – Purpose, Scope, and Methodology**

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The **purpose** of this engagement is to conduct a review and data analysis to determine:

- a comparison of contractually (negotiated) allowed hours versus incurred hours;
- percentage of total work performed by employees initially proposed for the project;
- utilization of key qualifying personnel; and
- compliance with applicable laws, rules, regulations, and procedures.

The **scope** of this audit included the contract agreement between the department and TEG for Agreement C-9440, District Wide Construction Engineering and Inspection Support, from December 19, 2011 through December 18, 2016, as amended.

The **methodology** included:

- reviewing applicable laws, rules, and regulations, including 48 Code of Federal Regulations (C.F.R.), Part 31, Contract Cost Principles and Procedures; and section 112.061, Florida Statutes;
- examining and testing TEG's job cost records, invoices submitted through Consultant Invoice Transmittal System, and other direct cost documents;
- comparing TEG's personnel used to perform the scope of services versus those individuals proposed during the initial and amended procurement and negotiation process; and
- reviewing department negotiation documents required by Procedure Topic No. 375-030-004, Audit Process for Professional Services Consultants and Contracts, requirements of Rule 14-75, Florida Administrative Code, Consultant Qualification Process.

**APPENDIX B – Affected Entity Response**

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Target Engineering Group, LLC. emailed the following response on September 1, 2017:

“Target Engineering Group, LLC management is in agreement with the findings and conclusions of FDOT OIG Audit Report No. 17C-3003. Best Regards.”

**APPENDIX C – Management Response**

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On October 25, 2017, District 1 Professional Services Unit responded that they did not have any questions or comments.



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**DISTRIBUTION**

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Elizabeth Leopold, District 1 Procurement Manager, FDOT

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Jamal Hassounah, P.E., Senior Vice President, Target Engineering Group, LLC.

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**PROJECT TEAM**

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Engagement was conducted by:  
Brittnee Clark, Auditor

Under the supervision of:  
Ryan Moore, Senior Audit Supervisor  
William Pace, Audit Manager  
Kristofer B. Sullivan, Director of Audit

Approved by:  
Robert E. Clift, Inspector General

**STATEMENT OF ACCORDANCE**

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The department's mission is to provide a safe transportation system that ensures the mobility of people and goods, enhances economic prosperity, and preserves the quality of our environment and communities.

The Office of Inspector General's mission is to promote integrity, accountability, and process improvement in the Department of Transportation by providing objective, fact-based assessments to the DOT team.

This work product was prepared pursuant to section 20.055, Florida Statutes, in accordance with the Association of Inspectors General *Principles and Standards for Offices of Inspector General*, and conforms with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

Please address inquiries regarding this report to the department's Office of Inspector General at (850) 410-5800.

**RESTRICTION ON USE**

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The cost information presented in this report is subject to certain disclosure requirements contained in 23 United States Code §112(b)(2)(e).<sup>4</sup> Release of this information (in response to a public information request) must be coordinated with the Florida Department of Transportation's Office of General Counsel to ensure appropriate steps are taken to ensure compliance with these requirements and the requirements of state law.<sup>5</sup>

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<sup>4</sup> 23 U.S.C. §112(b)(2) (E) PRENOTIFICATION; CONFIDENTIALITY OF DATA.—A recipient of funds requesting or using the cost and rate data described in subparagraph (D) shall notify any affected firm before such request or use. Such data shall be confidential and shall not be accessible or provided, in whole or in part, to another firm or to any government agency which is not part of the group of agencies sharing cost data under this paragraph, except by written permission of the audited firm. If prohibited by law, such cost and rate data shall not be disclosed under any circumstances.

<sup>5</sup> Pursuant to the Supremacy Clause of the United States Constitution, Art. VI, U.S. Constitution, the state must keep the records confidential.

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**ATTACHMENT 1 – Total Hours Allowed, Invoiced, and Incurred**

The agreement allowed for Task Work Orders to be individually funded as either lump sum, limiting amount, or both. There was a total of 12 task work orders.

Our review determined the hours invoiced did not exceed the contractually allowed hours of 5,023. The consultants incurred hours of 5,022 substantiates the invoiced hours. See Table 3 for hours allowed, invoiced, and incurred for each task work order.

Table 3 – Total Hours Allowed, Invoiced, and Incurred

<b>Target Engineering Group, LLC.</b> <b>C9440 District Wide CEI Support</b> <i>Prime Task Work Orders</i>				
Task Work Order	Hours Allowed	Hours Invoiced	Hours Incurred	Description of Services
1	291	290	290	Polk County School Zone Improvements
2	-	-	-	SR 60 at Diesel Road/Prairie Mine Road
3	207	207	207	US 27 at SR 60
4	234	234	234	Resident Compliance Specialist for OJT training/monitoring of the Bartow Operations Construction Offices
5	677	677	677	Project Administrator for the Sebring Operations Office
6	-	-	-	Project Administrator support services for In House projects in the Bartow Operations Office
7	3,304	3,304	3,304	(2) Inspectors for inspection of Permitted projects in the Bartow Operations Permit Office through Bartow Operations, Polk County
8	252	252	252	Pedestrian improvement at SR 540 and 6th Street
9	-	-	-	Intersection improvements at US 17 and SR 60
10	-	-	-	Part Time Project Administrator in the Bartow Operations Construction Office, Polk County for landscaping projects
11	58	58	58	Request by CSX for a inspector to reconstruct a crossing at US 98 approx. 1/2 mile West of US 27 near Frostproof
12	-	-	-	Inspection services of Asphalt plan Inspector of SR 17 from South of Martin Road to South of Mt Lake Cutoff
<b>Total</b>	<b>5,023</b>	<b>5,022</b>	<b>5,022</b>	

Source: Florida Accountability Contract Tracking System, CITS, and TEG's job cost records