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**Office of the Inspector General  
Miami-Dade County**

# Final Due Diligence Review

To: Selection Committee Members for the Transit Program  
Management Consultant (PMC) Contract

From:  Christopher Mazzella  
Inspector General

Date: November 30, 2004

Re: Due Diligence Review of Miami-Dade County Transit Department's Program  
Management Consultant (PMC) Proposers

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The Office of the Inspector General (OIG) is pleased to present you with the results of our due diligence review of the Parsons, Brinckerhoff, Quade & Douglas, Inc., the remaining proposer for the Transit Department's Program Management Consultant (PMC) contract Notice to Professional Consultants, also known as Project No. E03-MDT-01. Of the five initial proposers, the OIG has been advised that only one firm remains in this selection process, and as such, the OIG's reported review only addresses this remaining proposer.

*A draft copy of this same report was re-issued by the OIG to Parsons, Brinckerhoff, Quade & Douglas, Inc. (PBQD), through its attorneys, on November 17, 2004. A copy of the transmittal letter is attached as Appendix 1. The OIG advised PBQD that it had until 12:00 p.m. noon on Tuesday, November 30, 2004 to provide a written response if it wanted the reply to be included and presented along with the OIG's review. Please find PBQD's reply attached as Appendix 2.*

*Since the draft copy of the same report was re-issued to Parsons, Brinckerhoff, Quade & Douglas, Inc. (PBQD) on November 17, 2004, the OIG has been made aware of additional issues and ongoing problems with the Big Dig Project in Boston, Massachusetts. PBQD participated in this project in a partnership called B/PB with Bechtel. For your information, we have provided as Appendix 3, a copy of a newspaper article from USA Today, dated November 17, 2004, as well as a copy of a report from the Massachusetts Office of the Inspector General, dated November, 2004, and entitled "A Big Dig Cost Recovery Proposal: Trench Drain Failures Led to Cost Increases." A news release from Bechtel's website, dated November 22, 2004, and entitled "Bechtel/Parsons Brinckerhoff Responds to 'Big Dig' Tunnel Leak Allegations" is also attached in Appendix 3.*

We searched relevant databases and jurisdictions for information related to the two proposers. In addition, we received information from the two proposers in response to due diligence-related questions that had been submitted to the firms. Overall, we have compiled a significant amount of documentation that is being turned over to you for your ultimate review and classification.

**I. Parsons, Brinckerhoff, Quade & Douglas, Inc. (PBQD)**

**A. Summary Review of Documents and Articles**

1. PBQD participated in a joint venture (known as the Cross County Collaborative or CCC) with three other companies on a \$550 million light-rail extension project for the Bi-State Development Agency of the Missouri-Illinois Metropolitan District (Metro). Metro filed suit against PBQD and the other three companies on August 11, 2004, alleging breach of contract and negligence, and alleging fraud against three of the four companies, including PBQD. The contract was for design and management responsibilities including all of the administration, management, reporting and quality functions needed to develop and complete the design and construction of the Cross County Metrolink Project and successfully open the project for revenue services.

Metro believed that the project schedule and budget were at risk if the consultant team continued to manage the project. Therefore, Metro terminated its contracts with the CCC and Metro assumed construction management of the Cross County Metrolink Extension Project on August 11, 2004.

The joint venture filed its counterclaim alleging wrongful termination of the PMC and Construction Manager (CM) contracts, unfair competition, and breach of the PMC and CM contracts.

Please note that since this lawsuit was not filed until August 11, 2004, the lawsuit and the issues involved were not disclosed by PBQD on the Dispute Disclosure Form No. 6 submitted to Miami-Dade County with its proposal on June 4, 2004, nor was it disclosed in PBQD's responses to the due diligence questions. Those responses were provided to Miami-Dade County on July 30, 2004. PBQD has not taken any documented steps to disclose this lawsuit to Miami-Dade County since it was filed. A copy of the complaint and the counterclaim are included as part of the review.

Articles and documents reviewed include:

- Metro News Release dated August 11, 2004, stating, in part, that Metro officials announced that the Agency has terminated its contracts with the Cross County Collaborative and has assumed construction management of the Cross County Metrolink Extension Project. The CCC had been under contract with Metro since May 2000 for program management, design, construction management and start-up services for the 8-mile light rail alignment.
- Post-Dispatch article dated August 11, 2004. This article discusses the lawsuit filed against the four companies. Relevant issues include:
  - the four companies failed to develop contract and design schedules, provide proper cost estimates, staff the project adequately and coordinate with construction contractors;
  - details a list of claims that the collaborative's design work was faulty;
  - the suit also contends the group failed to meet its disadvantaged business hiring goal of 26.05 percent;
  - that the companies failed to meet the requirements of the contract and tried to cover it up. They also misled Metro about what they could do that led the transit agency to award them the contract. Three of the companies lied about staffing, designs, construction efforts and right-of-way acquisitions and misled the agency about how much progress they had made in the design of the project.
  - Metro said those three companies also billed the agency \$1.7 million for work that was never done and shortchanged it 250 construction drawings.

2. PBQD participated on Boston's "Big Dig" project as a joint venture partner with Bechtel. The partnership is known as B/PB. B/PB was hired in 1985 to manage CA/T design, construction and administration. The project went from an estimated cost of \$2.6 billion in 1982 to a final tally of \$14.6 billion in 2004.

Articles and documents reviewed include:

- Engineering News-Record (ENR) article dated May 3, 2004. The Massachusetts Turnpike Authority (MTA) has made \$30 million in demands related to design deficiencies against firms on the project. This demand is in addition to their filing a suit against B/PB for \$146 million for breaching fiduciary duties related to project cost escalation.
- ENR article dated March 29, 2004. MTA filed suit to collect \$140 million in profits and \$6 million in bonuses paid to B/PB. The suit contends that

- B/PB engaged in a “shell game” to obscure anticipated costs, manipulated cost forecasts by deleting, deferring or transferring to third parties critical construction cost components...utilized assumptions not reasonable in light of actual experience...and withheld material information.” The lawsuit contains eight counts, including breach of fiduciary duty, negligent misrepresentation, breach of contract, unjust enrichment, restitution, professional malpractice and violation of the federal False Claims Act.
- February, 2004 Report from the Massachusetts OIG entitled: “A Big Dig Cost Recovery Referral: Poor Contract Oversight by Bechtel/Parsons Brinckerhoff May Have Led to Cost Increases.”
  - December, 2003 Report from the Massachusetts OIG entitled: “A Big Dig Cost Recovery Referral: Contract Mismanagement by Bechtel/Parsons Brinckerhoff May Have Increased Big Dig Costs,” which states in part: “...As a result of the review of the 13 legislatively mandated CA/T Project contracts, the OIG believes that it is evident that B/PB mismanaged contracts and contract costs. Contract costs increased during construction because B/PB failed to heed warnings issued by the OIG in previous reviews. The MTA should hold B/PB responsible for these cost increases and cost recovery should be pursued against B/PB...”
  - ENR article dated February 24, 2003. Massachusetts OIG says that deficient design work by B/PB may have resulted in at least \$65 million in claims due to ground movement or “grout heave” during a soil stabilization job.
  - February 2003 Report from the Massachusetts OIG entitled: “Analysis of Bechtel/Parsons Brinckerhoff’s Reply to The Boston Globe’s Investigative News Series Concerning the Big Dig.” This report states in part:
    - The Globe’s three part series alleged that B/PB has profited from design mistakes and poor decisions contributing to more that \$1.6 billion in construction cost overruns to date. The OIG’s office concurred with the major findings and conclusions of the Globe’s investigative series.
    - Over the past decade, the OIG has documented numerous cases of B/PB’s mismanagement of the CA/T Project and failure to institute aggressive cost containment measures.
  - May 3, 2000 Report from the Massachusetts OIG entitled: “Central Artery/Tunnel Project: Management Issues and Recommendations 1993-2000.” This 462 page report states in part:
    - “...The Commonwealth’s excessively broad project management contract with Bechtel/Parsons Brinckerhoff has impeded effective cost control and oversight, undermined public accountability on the CA/T Project, and eroded the Commonwealth’s contracting leverage...”

- “...B/PB as project manager is responsible for identifying the causes of major cost overruns and delays. In effect, this arrangement relies on B/PB to reveal problems even when such problems are associated with B/PB’s own design work. This Office is aware of no evidence that B/PB has ever acknowledged making a mistake that contributed to increased costs and schedule delays...”
  - “...Most of B/PB’s compensation is not tied to deliverables or other measurable performance standards; indeed, project delays and construction contract changes serve to increase B/PB’s compensation...”
  - The report also documents twenty-two (22) different Technical Assistance Reviews of projects, processes, RFPs, systems, etc., between 1993 and 2000.
3. On March 24, 1999, Engineering Management Consultant (EMC), a joint venture of Parsons, Brinckerhoff, Quade & Douglas, Inc. and other firms, filed a complaint against the Los Angeles County Metropolitan Transportation Authority (LACMTA) alleging breach of contract, breach of the implied covenant of good faith and fair dealing, and declaratory relief, and asking for damages in excess of \$12,300,000 for amounts owing for work performed.

On May 11, 1999, LACMTA filed a cross-complaint against EMC, alleging breach of contract, breach of contract-implied covenant, unfair competition, restitution, breach of contract and declaratory relief, and asking to recoup in excess of \$13,000,000 from the defendants.

The complaint and cross-complaint dealt with Contract No. E0070 with PBQD and another company effective May 1, 1992, and Amendment No. 1 to that contract entered into with EMC, a joint venture of PBQD and another company, effective May 1, 1997. Under the contract and its amendment, PBQD, EMC and the other company were to provide services including engineering design, engineering management, program and project management, and construction administration in connection with rail and other transit projects.

On April 7, 2003, LACMTA and EMC signed an Agreement of Settlement and Mutual Release, settling the issues raised in the complaint and cross-complaint. As a result of the settlement agreement, LACMTA agreed to pay a total of \$1,000,000 with \$638,942.69 going to EMC, and the other \$361,057.31 being withheld pending EMC’s negotiations with EMC’s Non-Teaming Subcontractors for unpaid cost claims. According to LACMTA’s legal counsel, LACMTA decided to proceed with the settlement agreement to avoid a long and drawn-out legal battle in court.

4. On December 16, 1997, the Los Angeles County Metropolitan Transportation Authority (LACMTA or "MTA"), denied PBQD pre-qualification for their RFP Number PS-4370-0172, Bus Signal Priority Project. The reasons for the MTA denying PBQD's pre-qualification for this RFP were 1) failure to submit material information required on the questionnaire, and 2) deliberate submission of false information.

The issues dealt with failure to submit information related to the Boston area public works joint venture, and undisclosed political contributions to Los Angeles County MTA Board members.

PBQD formally appealed the denial of pre-qualification on December 22, 1997. The appeal was denied by MTA on February 2, 1998, stating in part: "...the Executive Review Panel determined that sufficient information was not provided regarding why the firm answered question number 34 with a 'no' answer. Therefore, based on this item alone, the Panel had no recourse but to deny the appeal..." (Note: Question 34 dealt with the issue of disclosure of conflicts of interest, and whether any contributions had been made.)

Please note that PBQD was later granted pre-qualification by MTA on August 25, 1998 on a different procurement action, IFB Number PS-4370-0336, Bus Signal Priority Pilot Project.

## **B. Other Articles and Documents**

- See the ENR article dated January 21, 2003. The Minnesota Department of Transportation (MnDOT) tried to shift blame, criticize federal authorities and destroy public documents on a federal light-rail funding issue. The Federal Transit Administration (FTA) said it would not fund the project unless MnDOT sought new bids for a project management contract. It said that the New York firm Parsons Brinckerhoff Quade and Douglas had been in a position to use inside information to win the job.
- December 27, 1994 article in the Los Angeles Times. The article states in part:
  - "...MTA contractors dispense thousands in political gifts..."
  - "...Parsons Brinckerhoff. The New York-based company leads a consortium of design-engineering firms that have donated more than \$36,000 to MTA members. The group has won about \$300 million worth of contracts, awarded at the discretion of transit board members..."

- The OIG reviewed the responses provided by PBQD to the due diligence questions asked by the OIG as part of the PMC process. As it relates to political contributions made by Parsons Brinckerhoff, the following is noted:
- On February 24, 1998, contribution of \$200 to John Cosgrove for State Senate race.
  - On November 26, 2003, contribution of \$5,000 to Alex Penelas for Senate race.

### **C. Review of Databases and Results Found**

1. We checked with the Miami-Dade County Department of Business Development (DBD). There were no violations found for PBQD.
2. We checked with the Department of Environmental Resource Management (DERM). There were no violations found for PBQD.
3. We searched the Federal Excluded Parties list. There were no hits on PBQD.
4. We reviewed the responses provided by PBQD to the due diligence questions pertaining to workplace inspections performed, and/or violations issued, by the U.S. Department of Labor, Occupational Safety and Health Administration (OSHA). The following is a summary of the information:
  - Seven inspections were performed by OSHA between 1996 and 1998;
  - Two violations, categorized as “serious” were found. Explanations were provided by PBQD for both of these violations.
5. We reviewed the Dun & Bradstreet (D&B) report provided by PBQD in response to the due diligence questions. The D&B report listed the following:
  - History: “Clear”
  - Financial Condition: “Strong”
  - Composite credit rating: “good”
6. We searched the U.S. Department of Justice press releases. There were no hits.
7. We searched the Miami-Dade County Recorder for liens and judgments. There were eight filings found for PBQD between 1993 and 1997. All eight were “Financing Statement UCC” filings.
8. We checked the Miami-Dade County List of Delinquent Contractors (“Deadbeat List”). There were no hits.

9. A search was conducted of civil actions in Miami-Dade County. Five cases were found listing PBQD as a party, as follows:
- Two cases for “auto negligence” filed in 1993 and 1994;
  - One case for other negligence” filed in 1996;
  - One case for “other civil complaint” filed in 1999;
  - One case for “contract and indebtedness” filed in 2000.

Please note that the information is docket information only and does not provide the basis for allegations.

In addition to the articles, documents, and the results of database searches discussed above, the OIG obtained and reviewed numerous other articles and documents which have not been discussed in this memorandum. However, these other documents are included in the information provided for your review and consideration.

The OIG also talked to numerous people about the various projects discussed above. Their names have not been included in the memorandum since they did not want to go on the record.

This concludes our review of PBQD, we hope that you find this information helpful.