

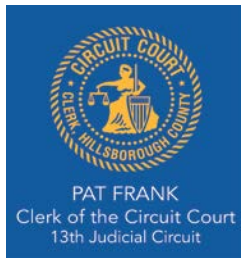
COUNTY AUDIT

HILLSBOROUGH COUNTY, FLORIDA

Tree Trimming and Removal Service Contract Management

REPORT # 292

September 14, 2015



September 14, 2015

The Honorable Sandra L. Murman, Chairman
The Honorable Kevin Beckner
The Honorable Victor D. Crist
The Honorable Ken Hagan
The Honorable Al Higginbotham
The Honorable Lesley "Les" Miller
The Honorable Stacy R. White

Dear Chairman Murman and Commissioners:

The Audit Team performed an audit of the tree trimming and removal services contract management Audit Report #292, dated September 14, 2015. Responses to the Audit Team's recommendations were received from the Director of Public Works and have been included in the Report after each audit comment and recommendation.

The purpose of this Report is to furnish management independent, objective analysis, recommendations, counsel, and information concerning the activities reviewed. It is not an appraisal or rating of management.

Although the Audit Team exercised due professional care in the performance of this audit, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud and/or employee abuse is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud or abuse will be detected.

The Audit Team appreciates the cooperation and professional courtesies extended to the auditors by the Director and personnel of Public Works during this audit.

Sincerely,

Peggy Caskey, CIA, CISA, CFE
Director of County Audit

CC: Mike Merrill, County Administrator
Dan Klein, Chief of Staff
Lucia Garsys, Chief Development & Infrastructure Administrator
Rick VanArsdall, Chief Deputy, Finance
John Lyons, Director, Public Works Department
Robert Suess, Director, Transportation Maintenance Division
Kevin Brickey, Economist, Management & Budget Office

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EXECUTIVE SUMMARY

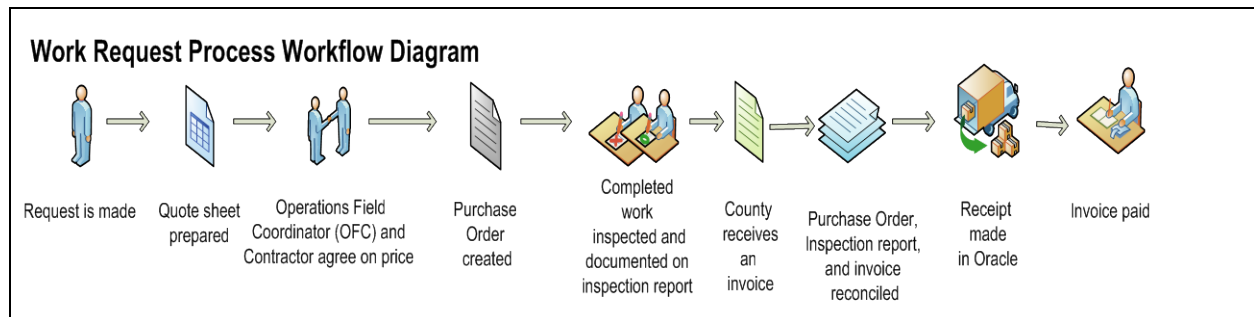
BACKGROUND INFORMATION

On June 4, 2014, the Board of County Commissioners awarded and executed three agreements for the Procurement Services Division to bid number ITB-S-0002-0-2014/EM, for tree trimming and removal services in the aggregate amount of \$3.4 million for countywide operations. The Agreements' effective dates are from July 1, 2014, to June 30, 2015. The Agreements were awarded to:

Contractor	Agreement Number	Agreement Amount
Luke Brothers Inc.	214210705	\$900,000
Mid-Florida Tree Service Inc.	214210553	\$1,250,000
Pete & Ron's Tree Service Inc.	214210544	\$1,245,750

The specifications of the Agreements include tree trimming and removal services for Public Works, Public Utilities, Parks and Recreation, and other County departments. The Public Works Department oversees the Agreements.

The typical work request process workflow is demonstrated below. When a work request is made, a quote sheet is prepared by the Public Works' maintenance unit staff. The Operations Field Coordinator (OFC) and the contractor agree on the cost of work to be performed. A purchase order is created, documenting the job specifications. The completed work is inspected by the OFC and documented on an inspection report. The contractor invoices the County for the work performed. The project manager reconciles the purchase order, inspection report, and invoice and then receives the invoice in Oracle. When the payment is approved, the contractor is paid.



OBJECTIVE

The objective of the audit was to determine whether or not the Public Works Department adequately manages the County's tree trimming and removal services agreements with Luke Brothers Inc., Mid-Florida Tree Service Inc., and Pete & Ron's Tree Service Inc.

SCOPE

The audit was conducted in accordance with the *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that County Audit plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the audit comments and conclusions based on the audit objectives. County Audit believes that the evidence obtained provides this reasonable basis.

The Audit Team evaluated the Public Works Department's management of the three tree trimming and removal services agreements for the seven-month period ending January 31, 2015.

OVERALL EVALUATION

The Public Works Department was responsive to the Audit Team's inquiries and provided thorough information when requested. Information was provided in a prompt and courteous manner. The Audit Team encountered knowledgeable and dedicated employees during the course of this audit.

The audit results indicate that the Public Works Department has adequate controls in place to ensure that Luke Brothers Inc., Mid-Florida Tree Service Inc., and Pete & Ron's Tree Service Inc., perform their services in accordance with the contract requirements.

AUDIT COMMENT	CONCLUSION OF OBJECTIVE	PAGE
1	Opportunities exist for the Public Works Department to mature the tree trimming and removal services contract management control environment.	4

OPINION

No material concerns were identified. The control environment is at the formal (defined) maturity level. The control environment provides a reasonable level of assurance that

the County work requests are carried out; work performance is satisfactory; invoices are accurate; and invoice payments are approved by the appropriate level of management. Formal support documentation is lacking.

Taking corrective action identified in this Report will enhance the control activities and improve the Public Works Department's oversight of the tree trimming and removal services agreements.

The exit conference was held on August 11, 2015.

Other minor concerns not included in this Report were communicated to management and/or corrected during fieldwork.

AUDITED BY

Peggy Caskey, CIA, CISA, CFE, Director of County Audit
Steve Hooper, CIA, CGAP, CCSA, CFE, Audit Manager
Lovonia Scott, CGAP, Auditor II
Marc Hogan, Auditor II

AUDIT COMMENT & RECOMMENDATIONS

AUDIT COMMENT

Opportunities exist for the Public Works Department to enhance the control environment over the tree trimming and removal services contract management.

The objective was to determine whether or not the Public Works Department adequately managed the three agreements for countywide tree trimming and removal services. Adequately managing the Agreements includes, but is not limited to ensuring that: work requests are carried out; work performance is satisfactory; invoices are accurate; and invoice payment is approved by the appropriate level of management.

Design of the Control Environment

The Public Works Department designed a workflow that provides a reasonable level of assurance that key Agreement deliverables are achieved. Compliance is achieved by the following controls:

Contract Deliverable	Control
Work Requests	Quote sheets are prepared and signed
Work Performance	Physical inspection
Invoice Accuracy	Review of invoice and supporting documentation
Invoice Payment Approval	Management responsibility

Effectiveness of the Controls

The Audit Team identified the contract management life cycle work flow. Management's design of the Agreement deliverables appeared to effectively capture its oversight responsibilities to assure work is properly requested, budgeted, and performed. The payment process oversight provides for the accuracy and approval of invoices. Although the work flow was known by the business process owners, written procedures are not yet implemented.

The Audit Team tested a stratified sample of 28 high dollar purchase orders for the seven-month period ending January 31, 2015.

The Audit Team analyzed the adequacy of the Department's contract management by determining whether or not the Department evaluated the following on a regular basis:

1. Work requests were carried out and work performance was satisfactory (inspected by OFC).
 - Sixteen (16) out of 28 quote sheets were signed by the contractor and the OFC.
 - Twenty-eight (28) of 28 inspection reports were provided to the project manager as evidence that work was satisfactory performed.
2. Invoices were accurate.
 - Ten (10) out of 28 inspection reports were endorsed "OK for payment" by the OFC.
3. Invoice payments were approved by the appropriate level of management.
 - Twenty-eight (28) of 28 invoices were approved by the appropriate level of management.
4. Duplicate payments were not made by purchase card and by County Finance.
 - There were no duplicated payments made. Purchase orders were the only purchasing documents initiated on approved work by the Public Works Department after the effective date of the Agreements.
5. Orders were not split to circumvent purchase card restrictions.
 - Purchase card restrictions were not circumvented. No purchase card services payments were made to tree trimming contractors after the effective date of the Agreements.
6. The County saved money by taking advantage of discount terms.
 - No discount terms were included in the Agreements. Twenty-eight (28) of 28 invoice terms reviewed indicated "due upon receipt" or "net 30 days."
7. Payments were made in compliance with the Prompt Payment Act.
 - Twenty-eight (28) of 28 payments were processed in accordance with the Prompt Payment Act.
8. Check supplier name matched the invoice supplier name.
 - Twenty-eight (28) of 28 payments matched vendor invoices.

9. Supporting documentation was provided for vendor invoices.

- None of the inspection reports were endorsed for payment by the OFC's unit manager. The inspection reports are used by the project manager to receipt for services but are not included as support documentation in Oracle.

RECOMMENDATION

Consideration should be given to improving the contract management control process.

1. Implementing a written procedure to document the contract management work flow.
2. Requiring the contractor and the OFC to sign all quote sheets.
3. Requiring a higher level of management or supervision, to certify all inspection reports and include the report as support documentation for the payment process.

CLIENT RESPONSE

Concur

CORRECTIVE ACTION PLAN

The Public Works Department will implement a written procedure to document the contract management work flow with specific requirements for the contractor and the OFC to sign all quote sheets when practical. The unit manager will certify all inspection reports and submit as part of the support for payment.

TARGET COMPLETION DATE

January 15, 2016