



PAT FRANK
Clerk of the Circuit Court
13th Judicial Circuit

COUNTY AUDIT

HILLSBOROUGH COUNTY, FLORIDA

**PARKS AND RECREATION DEPARTMENT'S MOWING SERVICES
OUTSOURCING COST ANALYSIS**

REPORT # 297

October 27, 2015



October 27, 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 analysis of the Parks and Recreation Department's mowing services outsourcing cost (Audit Report # 297, October 27, 2015). Responses to the Audit Team's recommendations were received from the Director of the Parks and Recreation Department and have been included in the Report after each audit comment and recommendation.

The purpose of this Report is to furnish management with 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 analysis, 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. The procedures used during this analysis, 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 the Parks and Recreation Department during this analysis.

Sincerely,

Steve Hooper, CIA, CFE, CCSA, CGAP
Interim Director of County Audit

CC: Mike Merrill, County Administrator
Greg Horwedel, Deputy County Administrator
Dexter Barge, Assistant County Administrator, Compliance, Communities & Conservation
Dale (Doc) Dougherty, Director, Parks and Recreation
Kevin Brickey, Economist, Management and Budget Office
Dan Klein, Chief of Staff
Rick VanArsdall, Chief Deputy, Finance

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EXECUTIVE SUMMARY

BACKGROUND INFORMATION

In the Parks and Recreation Department's FY 12 and FY 13 Budget, management proposed business transition opportunities to reduce costs by outsourcing all park mowing and chemical application services. This strategic shift from in-house mowing with County staff and equipment to contracted services was estimated to save approximately \$1.95 million per year based on anticipated bids. At that time, there was an estimated 62 full and part-time Maintenance Division positions (59.96 total full-time equivalents) that would help to offset the costs of the new contracts and allow for the reduction in total budget. The in-house cost reduction estimate is summarized in the table below.

Table 1: Business Transition Opportunities FY 12 and FY 13 Internal Cost Reduction - Annual Projected Reductions to Offset New Contractor Costs

Category	Cost Offset Projection
Salary and benefit	\$2,668,566
Fleet replacement	\$406,398
Reoccurring (Equipment including indirect)	\$1,883,109 (FY 12) \$1,944,874 (FY 13)
Total FY 12	\$4,958,073

In August 2011, the Board of County Commissioners awarded and executed one contract for four agreements for the Procurement Services Division, Bid Number ITB-S-0137-0-2001/EM, "Mowing and Chemical Application Services for Parks and Sports Complexes." The Contract was in effect from October 4, 2011, to October 31, 2013. In 2013, the Contract was renewed for an additional two years. The total aggregate amount was approximately \$2 million.

Each contractor's Agreement was for mowing specific zones. In addition, Centauri Enterprises' Agreement included chemical application services. Soon after receiving the award, Centauri Enterprises was unable to provide chemical application services. As a result, the Parks and Recreation Department has been performing the chemical applications. This reduced the total contract amount to approximately \$1.8 million.

Table 2: New Contractor Awards

Contractor	ZONE(S)	Total Awarded
Sensible Property Care, Inc. (mowing)	1, 2, 3, 4 & 9	\$461,832
Centauri Enterprises, Inc. d/b/a Complete Landcare, Inc.	Mowing Services	\$577,160
	Chemical Application Services (not performed)	\$128,190
Flamingo Lawn Service, Inc. (mowing)	6	\$139,424
Cardinal Landscaping Services of Tampa, Inc. (mowing)	10, 11, 12	\$680,784
Contract Total		\$1,987,390
Less Chemical Application Services		(\$128,190)
Adjusted Contract Amount		\$1,859,200

On April 21, 2015, Centauri Enterprises notified the Parks and Recreation Department that it was unable to continue to provide mowing services under the Contract. As a result, per management, the Parks and Recreation Department will temporarily perform mowing services to zones 5, 7, and 8 while the Procurement Department informally solicits a replacement contractor. This event did not materially impact the Audit Team's cost analysis.

OBJECTIVE

The objective of the cost analysis was to determine whether or not the County saved money by outsourcing mowing services.

SCOPE

The assessment 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 assessment to obtain sufficient, appropriate evidence to provide a reasonable basis for the assessment comments and conclusions based on the stated objectives. County Audit believes that the evidence obtained provides this reasonable basis.

The Audit Team obtained the outsourced cost of mowing services and the cost of performing the same service in-house. The Audit Team performed a comparative analysis for the period October 1, 2011, through April 30, 2015.

The Audit Team excluded the chemical application services in the cost analysis.

OVERALL EVALUATION

The Parks and Recreation 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 the analysis.

ANALYSIS COMMENT	CONCLUSION OF OBJECTIVE	PAGE
1	The County saved money by outsourcing the mowing services.	4

OPINION

The decision to outsource mowing services for parks and sports complexes led to a significant cost savings of approximately \$9.3 million between October 1, 2011, and April 30, 2015. The Contract also increased the frequency of the mowing services provided.

Taking corrective action to address the concern identified in this Report will help to satisfy maintenance requirements in the Contract.

The exit conference was held on September 21, 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, Former Director of County Audit
Steve Hooper, CIA, CGAP, CCSA, CFE, Interim Director of County Audit
Ben Everett, CPA, CIA, Auditor II
Marc Hogan, Auditor II

ANALYSIS COMMENT

COMMENT 1

The County saved money by outsourcing mowing services.

The objective was to determine whether or not the County saved money by outsourcing mowing services.

To perform the analysis, the Audit Team obtained the Parks and Recreation Department's FY 12 in-house projected mowing cost analysis. This projected cost consisted of salary and benefit, equipment, and equipment maintenance (Fleet Services and fuel). The Audit Team performed an analysis of the Department's in-house projected cost savings estimate.

Test Results:

Salary and Benefit Cost Reduction Analysis

The Audit Team determined the Board of County Commissioners personnel cost savings by staffing level reduction. The Audit Team compared the 59.96 full-time equivalents referenced in the Parks and Recreation Department's Business Transition Opportunities FY 12 and FY 13 Budget to the May 1, 2015, Board of County Commissioners' personnel records. The Audit Team analyzed the status of employment for the personnel listed on the budget document. Based upon testing, it appears that the Board of County Commissioners' personnel cost savings, based strictly upon staffing level reduction (job loss), was materially equal to the Department's projected cost reduction estimate. The Audit Team identified 1 of the 59.96 full-time equivalent positions that was not eliminated. The Parks and Recreation Department's projected annual salaries and benefits cost reduction for FY 12 was \$2,668,566. The Audit Team reduced this projection by \$36,767 to \$2,631,789.

Fleet Replacement and Reoccurring Cost Reduction Analysis

The Audit Team compared the amounts listed for fleet replacement referenced in the Business Transition Opportunities FY 12 and FY 13 Budget to the current asset records. In addition, the Audit Team analyzed the status of the equipment listed (i.e., disposed, in surplus, active). The Business Transition Opportunities FY 12 and FY 13 Budget indicated that 79 units of equipment, totaling \$2,289,507 (\$406,398 fleet replacement + \$1,883,109 reoccurring) was included in the Department's in-house projected cost reduction. The Audit Team's analysis determined that the reoccurring equipment was incorrectly stated and should have totaled \$1,536,137. The Audit Team also determined that as of May 1, 2015, 34 of the 79 equipment units were listed as active, and an additional 8 of the 79 units were listed in surplus. These combined 42 equipment units' cost reduction projection totaled \$768,914. The Audit Team reduced the projected in-house equipment cost reduction from \$2,289,507 to \$1,173,621 (\$406,398 fleet replacement + \$1,536,137 reoccurring equipment - \$768,914 equipment not removed from inventory).

FY 13, FY 14, FY 15 Cost Reduction Projection

The Audit Team’s analysis indicates that in-house projected cost reductions for FY 2012 totaled \$3,805,410 (\$2,631,789 salary and benefits + \$1,173,621 fleet replacement and reoccurring).

For FY 13, the Department increased its in-house projected cost reduction by 1.24%. For the Audit Team’s analysis, the 1.24% increase was used to project cost reductions for FY 14 and FY 15.

Cost Savings Analysis

The Audit Team identified the total number of contractor payments made under the Contract for outsourced mowing services from October 2011 to April 2015. The Audit Team estimated the Board of County Commissioners’ savings by outsourcing mowing services under the Contract. The table below shows the Audit Team’s adjusted, projected in-house cost reduction for the three year seven month period ending April 30, 2015. Total cost savings were approximately \$9.3 million, representing a 67% savings for outsourcing mowing services rather than performing those services in-house using the County’s personnel and equipment.

Table 3: Total Cost Savings Analysis

	FY 12	FY 13	FY 14	FY 15 Partial (Oct 1, 2014 to Apr 30, 2015)	Total Cost
Audit Team’s Adjusted Projected In-House Cost Analysis	\$3,805,410	\$3,852,597	\$3,900,369	\$2,303,820	\$13,862,196
Actual Contractor Payments	\$1,117,956	\$1,236,204	\$1,330,419	\$837,261	\$4,521,840
				Savings	\$9,340,356
				Percent of Savings	67%

RECOMMENDATION

To enhance overall operations, consideration should be given to:

1. Following through with the County’s solicitation for mowing and chemical application services that were included in the original Contract.
2. Working with the Procurement Services Department to ensure a thorough review of each bid participant’s capabilities before awarding the bid. The contractor should provide adequate and sufficient documentation showing that it can satisfy the objectives of the agreement with the County.

CLIENT RESPONSE

Concur

CORRECTIVE ACTION PLAN

1. Parks and Recreation is working with Procurement Services to secure new vendors for the vacated mowing zones as well as a comprehensive chemical application and turf maintenance contract. Both of these contracts being fully supported, allow us to free up valuable resources and keep our parks and athletic complexes looking sharp for our citizens and visitors alike.
2. Parks and Recreation is working closely with Procurement Services on each contract to ensure an appropriate number of bids are received to ensure redundancy in the event the winning bidder cannot fulfill their obligation to the county. We are also ensuring that Procurement Services follows up with vendors in default, so that those vendors lose the opportunity to bid on future projects due to their inability to perform assigned duties.

TARGET COMPLETION DATE

1. December 31, 2015
2. December 31, 2015