

COUNTY AUDIT DEPARTMENT

REPORT # 378

An Audit of:

**MISCELLANEOUS FACILITIES CONSTRUCTION
CONTRACT 13**

FEBRUARY 7, 2020



Pat Frank INTEGRITY. TRANSPARENCY. ACCOUNTABILITY.

CLERK OF COURT & COMPTROLLER • HILLSBOROUGH COUNTY, FLORIDA



February 7, 2020

The Honorable Lesley “Les” Miller, Jr., Chairman
The Honorable Ken Hagan
The Honorable Pat Kemp
The Honorable Sandra L. Murman
The Honorable Kimberly Overman
The Honorable Mariella Smith
The Honorable Stacy R. White

Dear Chairman Miller and Commissioners:

The Audit Team performed an audit of the Miscellaneous Facilities Construction Contract 13 (Audit Report #378, February 7, 2020). Responses to the Audit Team’s recommendations were received from the Director of Capital Programs 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 the Capital Programs Department for this audit.

Sincerely,

Heidi Pinner, CIA, CISA, CFE, CRMA
Director of County Audit

CC: Mike Merrill, County Administrator
Lucia Garsys, Deputy County Administrator/Development & Infrastructure
John Lyons, Assistant County Administrator
James Hudock, Director, Capital Programs
Debbie Benavidez, Director, Enterprise Solutions & Quality Assurance (ESQA)
Dan Klein, Chief Executive Officer, Clerk of Court and Comptroller
Rick VanArsdall, Chief Operating Officer, Clerk to the Board

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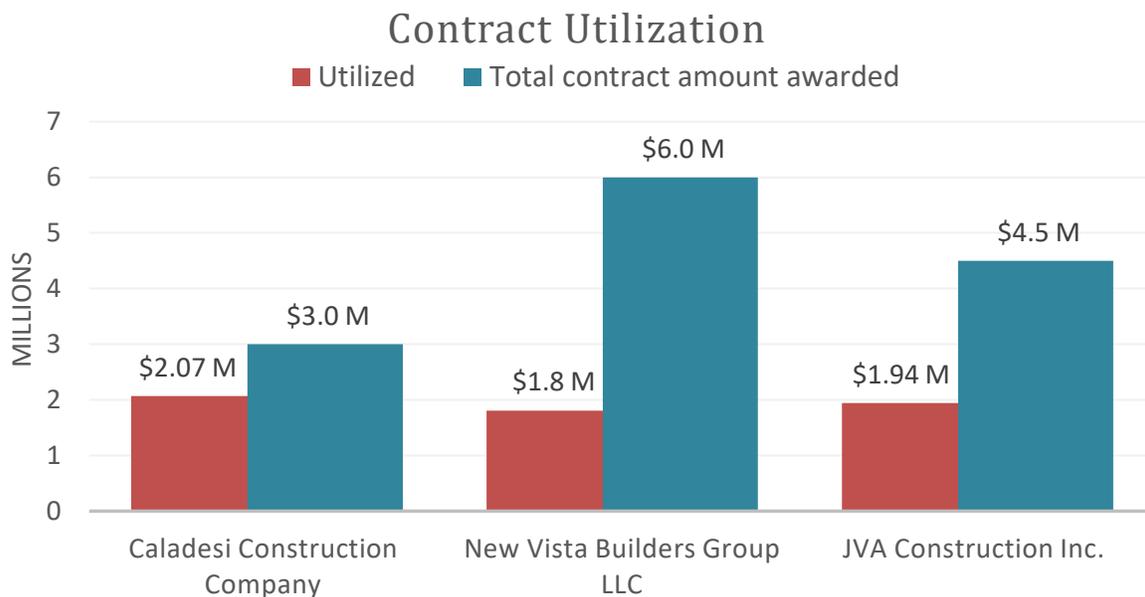
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EXECUTIVE SUMMARY

BACKGROUND INFORMATION

The Capital Programs Department provides planning, design, and construction of capital improvement program projects for transportation, stormwater, and facilities (such as parks, libraries, government facilities, and fire stations). The department also manages miscellaneous construction contracts with external vendors for ongoing and as-needed moderately complex construction and renovation work required at facilities and locations throughout the County.

On March 21, 2018, the Board of County Commissioners (BOCC) approved two-year contracts with each of the three lowest, responsive, and responsible bidders (total value of \$13,500,000.00) for work required at County facilities and locations. These resulting contracts, known as Miscellaneous Facilities Construction Contract 13, provide the ability to bundle projects and secure pricing using predefined pricing factors, and to streamline service delivery. These contracts are intended to expedite smaller capital projects costing less than \$1,000,000.00. The contractors furnish all labor, materials, and equipment for the accomplishment of all work as described in the specifications, as shown on plans if provided, and as directed by the project manager in accordance with the expressed or obvious intent of the contract. Funding for these projects is provided mainly through the annually-approved Capital Improvement Program (CIP), not to exceed approved program budgets. The County’s CIP document is publicly available online and lists all of the projects with descriptions of the work to be done. The chart below shows the utilization of these agreements as of June 3, 2019. The average work order amount for this period was \$200,538.



To ensure the accuracy and validity of the projects, professionals are used throughout the process to review and approve the proposals and invoices, as well as performing inspections. A professional is typically an architect or engineer who is either an in-house County employee or is contracted through an external vendor. Less complex projects may not require the use of a professional.

OBJECTIVE

The objective of the audit was to determine whether or not controls are adequate to ensure that the contracts are appropriately managed and utilized.

SCOPE

The audit was conducted in conformance 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 scope of this audit includes all awards made from usage of this miscellaneous contract since its award date, March 21, 2018, through June 3, 2019.

OVERALL EVALUATION

Controls are in place to ensure that miscellaneous contracts are appropriately managed and utilized. An opportunity exists to improve the approval process.

Process Strengths:

- The three construction vendors were awarded contracts based on a competitive procurement process.
- Work orders are issued on a rotational basis by the contract manager to distribute work among the vendors.
- Multiple reviews and approvals are required before work orders, purchase orders, and invoice payments are processed.
- Work orders were accurate, approved appropriately, and complied with all the requirements of the contract.
- Payment of invoices was properly approved, timely, accurate, and in compliance with the contract.

Control Improvement Opportunities:

- Some signatures were left blank on paper documents where review and/or approval signatures are required.

OPINION**Control Maturity Levels**

The overall control environment relative to the management of the contracts is at a formal (defined) maturity level. This means that management has developed processes and controls which reasonably ensure that the projects used under the Miscellaneous Facilities Construction Contract are in compliance with the terms of the contract. Opportunities were identified to strengthen the controls related to the reviewing and approval of the proposals and pay applications by the professional. Addressing these opportunities will enhance the overall control structure and provide increased consistency and assurance.

The exit conference was held on January 7, 2020.

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

AUDITED BY

Heidi Pinner, CIA, CISA, CFE, CRMA, Senior Director of County Audit
Ben Everett, CPA, CIA, CFE, Audit Manager
Hanno Roodt, CA(SA), Internal Auditor

AUDIT COMMENT & RECOMMENDATIONS

AUDIT COMMENT

Controls are in place to ensure that miscellaneous contracts are appropriately managed and utilized. An opportunity exists to improve the approval process.

The objective was to determine whether or not the work orders and invoices were accurate, paid timely, approved by the authorized personnel, related to a CIP project, and complied with all the requirements set forth in the initial contract.

When a project manager determines that a construction job is needed, the project manager is assigned one of the three contractors on a rotating basis and/or based on the contractor's capabilities and remaining funds. The project manager negotiates the job specifications and pricing with the contractor to prepare a proposal document. The project manager will often utilize a professional (an architect or engineer) to assist with the negotiations. The proposal is used to create a work order which then requires several approvals from management. Once approved, a requisition and purchase order are created and a notice of commencement is issued to the contractor to begin construction work. The purchase order requires several approvals as well.

To ensure the work conforms to the proposal, inspections are performed by the project manager and the professional, including a final inspection. However, less complex projects may utilize only a project manager and no professional. When the contractor invoices the County for payment, the invoice is reviewed and signed by the project manager and the professional prior to payment.

The department's procedures require every proposal and invoice to be reviewed and approved by a professional, whether in-house or external, before a work order is created and the invoice paid. This is intended to provide assurance that the project has the best possible prices obtained and that the invoice is a true reflection of the actual work that is completed.

There were 42 completed work orders and 59 invoices as-of June 3, 2019. The Audit Team judgmentally selected a sample of 15 work orders (36%) and 15 invoices (25%). The Audit Team reviewed the related backup documentation for the work orders, related proposals, and invoices to determine whether or not the 15 work orders and invoices were accurate, approved by the authorized personnel, matched the description on the County's CIP project list, and complied with all the requirements set forth in the initial contract. Any discrepancies identified were discussed with the process owner(s).

Testing Results

- All fifteen (15) proposals and work orders were accurate, matched the CIP description, were approved by the authorized personnel, and complied with all the requirements set forth in the initial Agreement.

- Seven (7) proposals had no indication of whether an in-house or external professional was used. The professional signature space on the proposal was also left blank. Management has however indicated that in-house professionals were used.
- All 15 invoices were recalculated and agreed to the supporting documents. They were also paid timely and complied with the Florida Prompt Payment Act.
- One (1) invoice was identified that did not have proof of a professional reviewing it. Per management, the invoice was reviewed by the professional, but was not signed as proof of review.
- One (1) invoice was identified where the signature of the professional was not legible.

RECOMMENDATION

Management should consider:

- Ensuring that the proposals, work orders and invoices have been completed in full, with all required signatures, or an indication that no professional's signature was required.
- Having professionals also print their names to ensure readability and accountability.

CLIENT RESPONSE

1. Concur
2. Concur

CORRECTIVE ACTION PLAN

1. *The Term Contracts are used to generally deliver small projects which may or may not require an outside professional. It is the department's practice to obtain the signature of the professional consultant if one is used. However the signature line is typically left blank if an outside professional is not used. Based on the audit recommendation, all Contractor's Work Order Proposal forms and Contractor's Application for Payment forms will now indicate "NA" if a professional is not used.
Note: The actual work Order is an internal document which is electronically approved by the director and does not require the professional's signature.*
2. *Based on the audit recommendation, a line will be added to the Contractor's Work Order Proposal form for providing the printed name of the professional signing the form and the name of the firm.*

TARGET COMPLETION DATE

1. *Implemented as of December, 2019.*
2. *Implemented as of January 15, 2020.*