AN AUDIT OF THE:

PCS Civil Stormwater Culvert Construction Contract

COUNTY AUDIT DEPARTMENT

REPORT #449

7/23/2026

VICTOR D. CRIST

CLERK OF CIRCUIT COURT & COMPTROLLER
HILLSBOROUGH COUNTY, FL

EXCELLENCE IN SERVICE!

Executive Summary

Why We Did This Audit

This audit was performed as part of the Fiscal Year 2026 Annual Audit Plan.

The County Audit Department utilizes a risk-based audit approach and selects existing large value contracts each year for review.

Stormwater Culvert Construction Contracts with Pepper Contracting Services Civil Inc. (PCS Civil) are authorized for $40M+ in spending over a three-year period.

What We Did

The Audit Team performed interviews, conducted observations, and reviewed supporting documents related to the County's contract with PCS Civil and related culvert backlog data as of April 2026.

Tests were performed to determine whether invoices were accurate & paid timely and if adequate contract management is being performed.

Additionally, the Audit Team tested the overall contract compliance and procurement procedures.

What We Found

STRENGTHS AND SUCCESSES

- ✓ An effective process is in place to review and approve invoices before payment.
- ✓ Invoice payments were timely and contained accurate amounts based on the contract agreement line items.
- ✓ Contract documentation reviewed was generally complete, accurate, and sufficient to support compliance with applicable policies and requirements.
- ✓ Site inspectors are present during all construction phases to track and monitor the project.

IMPROVEMENT OPPORTUNITIES/RISKS

- ✓ Opportunities exist to improve data entry accuracy and supporting documentation quality within project systems.
- ✓ Opportunities exist to improve consistency between financial and project management systems, as minor discrepancies were identified.
- ✓ A significant project backlog exists for stormwater culvert projects.

What We Recommend

- ***Reinforce training and guidance.***
- ***Enhance vendor documentation.***
- ***Improve data entry and records.***
- ***Establish formal procedures.***

Table of Contents

VICTOR D. CRIST
CLERK OF CIRCUIT COURT & COMPTROLLER
HILLSBOROUGH COUNTY, FL

The Honorable Ken Hagan, Chair
The Honorable Chris Boles
The Honorable Donna Cameron Cepeda
The Honorable Harry Cohen
The Honorable Christine Miller
The Honorable Gwen Myers
The Honorable Joshua Wostal

July 23, 2026

Dear Commissioners:

The Audit Team conducted an audit of the County's Stormwater Culvert Construction Contract with PCS Civil, Inc. (Audit Report 449, dated July 23, 2026). Responses to the Audit Team's recommendations were received from the Director of the Public Works - Capital Programs Department and have been included in the Report after each audit comment and recommendation.

The purpose of this Report is to furnish management with an independent, objective analysis, 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.

I appreciate this opportunity to be of service to the Board of County Commissioners. I am happy to address any questions that you may have or furnish additional information if desired.

Sincerely,

Heidi Pinner
Heidi Pinner, CIA CISA CFE CRMA
Chief Audit Executive, Clerk of Court & Comptroller

Objective

The objective of the audit is to determine whether there are effective controls to manage Hillsborough County's contract with PCS (Pepper Contracting Services) Civil Inc. for the construction of stormwater culverts. This includes contract compliance, invoicing & payments, utilization management, quality assurance, and risk management.

Scope & Methodology

The audit was conducted in accordance with the *Global Internal Audit Standards*. 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 a reasonable basis for the audit comments and conclusions based on the audit objectives.

The Audit Team performed interviews, conducted observations, and reviewed supporting documents related to the County's contract with PCS Civil and related culvert backlog data as of April 2026. Tests were performed to determine whether invoices were accurate & paid timely and adequate contract management is being performed. Additionally, the Audit Team tested the overall contract compliance and procurement procedures. Specific testing date ranges are detailed in the applicable audit comments.

Overall Opinion

The overall control environment relative to the processes and procedures for managing the compliance with the stormwater culvert agreements is at a managed maturity level. This rating indicates that management has robust, proactive controls and monitoring techniques employed to measure success with a strong assessment of operating effectiveness of contracted vendors. However, opportunities exist to improve data entry accuracy, documentation quality, and consistency across project management and financial systems.

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

Background

The Hillsborough County Board of County Commissioners awarded the agreements listed below with PCS Civil Inc. for ongoing and as-needed construction, repair, rehabilitation, and renovation of stormwater culverts and related infrastructure for Hillsborough County. The departments responsible for overseeing this project are Engineering & Operations and Capital Programs, both of which fall under the Public Works umbrella. The contractor, PCS Civil, is responsible for furnishing all labor, materials, and equipment for the accomplishment of all work performed.

The main objective of the three (3) stormwater culvert contracts with PCS Civil is to repair or replace failing (or close to failing) culvert infrastructure. A stormwater culvert's primary purpose is to convey water, particularly stormwater runoff, under roadways, railways, or other obstructions, preventing flooding & erosion. They ensure the safe and efficient flow of water, maintaining the integrity of infrastructure, and minimizing disruptions to traffic and surrounding areas.

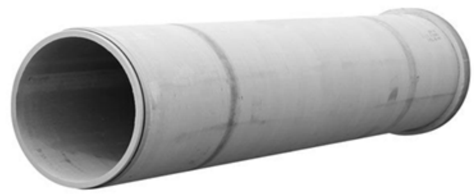
EAST	SOUTH	WEST
Agreement# 224300700	Agreement# 223305255	Agreement# 224300699
Two (2) year Contract February 7, 2024	Three (3) year Contract March 1, 2023	Two (2) year Contract May 15, 2024
Amount: $9,086,560 **NPI: $180,000**	**Amount: $23,225,735.15** **NPI: $1,000,000**	**Amount: $8,676,876** **NPI: $700,000**
Change Order November 5, 2025 **Amount increased $9.5M** **NPI increased $500K**	Change Order September 3, 2025 **NPI increased by $300K**	Change Order November 5, 2025 **Amount increased $7.5M** **NPI increased $150K**

Non-Priced Items (NPIs) are materials or services not originally included in the contract's established line items but may be required due to the evolving nature of construction projects. These items typically arise from unforeseen site conditions, scope expansions, or other project-specific variables. The use of NPI is a common and necessary practice in construction, providing flexibility to address unexpected needs while maintaining project progress. Requests for NPIs are generally identified by the contractor or site inspector and are subsequently reviewed and approved by the County Project Manager overseeing the project.

Types of Culverts

Reinforced Concrete Pipe (RCP)

RCP consists of concrete reinforced with steel, providing high strength and durability. It is commonly used to replace older culverts, including Elliptical Corrugated Metal Pipes (ECMP), due to its longer lifespan and ability to withstand heavy loads. Installation of RCP requires full excavation and removal of the existing culvert, making it most suitable for locations where nearby structures will not be impacted. As a result, RCP is generally the County's preferred material for new culvert installations and full replacements.



Cured-in-Place Pipe (CIPP) Lining

CIPP lining is a trenchless method used to rehabilitate existing culverts without excavation. The process involves inserting a resin-saturated liner into the existing pipe and curing it in place to form a new internal lining. This method minimizes surface disruption, reduces installation time, and is generally more cost-effective. When site conditions permit, it is the preferred method for rehabilitation.

Elliptical Corrugated Metal Pipes (ECMP)

ECMP has historically been used for culvert applications and remains in service in various locations throughout the County. While its use has declined in favor of more durable materials such as RCP, ECMP may still be utilized in certain situations based on site conditions, design requirements, or cost considerations. However, over time, ECMP is susceptible to corrosion, erosion, and loss of structural integrity, which can lead to reduced capacity, leakage, or failure.

Appendix A summarizes the current backlog of stormwater culvert projects identified throughout Hillsborough County.

Contract Compliance & Procurement

WHAT YOU SHOULD KNOW

- An effective control framework is in place to ensure that contract award processes consistently comply with applicable procurement requirements.
- All three contracts were procured in compliance with established frameworks.
- No contract procurement exceptions were identified by the audit team.

TEST OBJECTIVES

This audit test objective was to determine whether the contract award processes complied with procurement requirements, including adequate bid documentation, contractor qualifications, and the necessary authorizations prior to contract execution.

THE PROCUREMENT METHODOLOGY

PCS Civil won all three (3) active County Contracts for on-going and as-needed repair, rehabilitation, and renovation of stormwater infrastructure throughout the County based on the Invitation to Bid (ITB) process.

Invitation to Bid (ITB): a formal price-based procurement method used by local governments, such as Hillsborough County, to solicit competitive sealed bids from qualified vendors or contractors for goods, services, or construction projects when the scope and specifications are clearly defined.

The ITB process is typically utilized when awards can be determined primarily on price, provided that all technical, operational, and contractual requirements are met. This method is designed to promote full and open competition, ensure transparency, and provide equal opportunity for all eligible bidders.

Through the ITB process, Hillsborough County issues a detailed solicitation outlining the scope of work, technical specifications, contractual terms and conditions, and instructions for bid submission. Interested bidders are required to submit sealed responses by a specified deadline, affirming their ability to meet all requirements. Bids are publicly opened at a designated time to maintain transparency in the process. Following the opening, submissions are evaluated to determine responsiveness, meaning compliance with all material requirements of the ITB, and responsibility, referring to the bidder's demonstrated capability, integrity, and reliability to successfully perform the work.

Consistent with price-based procurement principles, the contract is typically awarded to the lowest responsive and responsible bidder. The ITB process provides an objective and standardized framework that minimizes subjectivity in vendor selection and supports Hillsborough County's responsibility to manage public funds in a fair, transparent, and cost-effective manner, particularly for projects with well-defined requirements such as construction and infrastructure improvements.

THE AUDIT METHODOLOGY

Audit test procedures included:

- Reviewing bid documentation to evaluate whether applicable requirements were met.
- Confirming whether contractor licensing and bonding requirements were satisfied.
- Verifying all necessary approvals were obtained prior to contract execution.
- Determining whether the results of these procedures were appropriately documented by staff and/or the Contractor.
- Interviews with procurement staff and the audit client to address any identified issues.

TESTING RESULTS

The Audit Team identified no exceptions or instances of noncompliance. The County appears to have a well-established and consistently applied procurement process in place. Documentation reviewed was generally complete, accurate, and sufficient to support compliance with applicable policies and requirements. Overall, the procurement function demonstrated effective internal controls. Specifically:

- A solicitation to bid document was present and properly identified within each contract file.
- Insurance and workers' compensation requirements were adequately established and documented to ensure contractor compliance with risk management standards.
- A drug-free workplace program requirement was included as part of the contract documentation.
- A detailed price sheet listing all applicable line items was present to support pricing transparency and evaluation.
- Required licensing documentation was verified, including valid contractor licenses and certified underground utility licenses, as applicable to the scope of work.
- Bond and Power of Attorney documentation were identified and included in the contract files, as applicable.
- Disadvantaged Minority / Disadvantaged Women Business Enterprise (DM/DWBE) terms and requirements were appropriately identified within the contract documentation. (Note: On September 17, 2025, amendment and restatement of resolution no. R06-264, as amended, to suspend the County's DM/DWBE Program and continue and update the County's Small Business Encouragement (SBE) Program was passed by the Board of County Commissioners (BOCC). During the execution of each of the agreements, the DM/DWBE was still in effect; therefore, the Audit Team tested for compliance.)
- Documentation supporting the contractor's capabilities and competence, including resumes and qualifications, was included in the contract files.
- A completed W-9 form was present for vendor identification and tax reporting purposes.

RECOMMENDATIONS

The Audit Team did not identify any material concerns during invoice testing that required management's corrective actions.

Project & Contract Management

WHAT YOU SHOULD KNOW

- Controls appear to be appropriately designed and operating to support proper project monitoring and accurate invoice processing.
- Limited exceptions were noted.
- All invoices contained adequate approvals.
- All payments complied with prompt payment requirements.

TEST OBJECTIVES

This audit test objective was to determine whether completed culvert projects were properly documented, monitored, and invoiced in accordance with contract requirements and applicable payment standards.

THE PROCESS

PLANNING

PROJECT INITIATED	• Culvert repair or reconstruction projects are initiated when a need is identified through County inspections, citizen complaints, or roadway failures such as washouts or subsidence.
CONTRACT PLAN	• Once identified, Public Works (PW) develops a formal Contract Plan outlining each project location, including key details such as site address, estimated costs, and anticipated start and completion dates.
SCOPE OF WORK	• PW develops a scope of work that provides a high-level description of the project, including location details, work orders, and anticipated construction activities.
COST ESTIMATES	• At the same time as the above, the vendor prepares a detailed cost estimate identifying required materials, quantities, unit pricing, and the appropriate construction method.
SITE SURVEY	• An audiovisual survey (video) of the existing culvert is conducted to document pre-construction conditions.

CONSTRUCTION

SITE MONITORING

- A site inspector is required to be present at all times to monitor activities.

DAILY PROGRESS

- Inspectors document daily progress through detailed reports that capture labor, equipment usage, materials installed, and overall work performed.

MATERIALS DELIVERY

- Delivery of materials to the site is documented through delivery tickets and recorded in the daily reports to verify quantities and support accurate invoicing.

COMPLIANCE TESTING

- Third-party testing is performed to confirm compliance with applicable standards. These tests may include compaction, density, and concrete strength testing. A post-construction audiovisual survey is then conducted to document the completed work.

CLOSE OUT

SITE SURVEY

- A third-party surveyor prepares an “as-built” report, which reflects the final constructed conditions, including any field changes.

PROJECT SUMMARY

- The Project Manager prepares a summary report outlining key project details such as scope, location, and total cost.

PROJECT COMPLETION

- A Certificate of Substantial and Final Completion is executed by both the Project Manager and the vendor, formally certifying that the work has been completed in accordance with contract requirements.

INVOICING

PREP

- Vendor invoices originate from approved work orders, which also serve as purchase orders (POs). These POs are supported by project documentation, including daily inspection reports and related records.

SUBMISSION

- Invoices are submitted by the vendor on a monthly basis for quantities of materials installed, using predefined pay items established in the contract. Daily inspections documented in the Unifier system serve as the primary support for validating work performed, including labor, equipment, and materials.

APPROVAL

- Public Works staff review each invoice in coordination with the vendor to verify the accuracy of quantities and billed items. Approved invoices are then submitted for payment to County Finance.

THE AUDIT METHODOLOGY

Project Monitoring

The Audit Team selected a judgmental sample of completed projects, including both reinforced concrete pipe (RCP) and cured-in-place pipe (CIPP) lining installations. For each project, the Audit Team verified inclusion in the approved Contract Plan and the existence of required supporting documentation, such as cost estimates and scopes of work. The review also confirmed that pre- and post-construction audiovisual surveys were completed and that daily reports were prepared for each day of construction activity.

In addition, the Audit Team conducted site visits to project locations at various stages of construction, including sites where work had not yet started, was actively in progress, and had been completed. During the visit to the active construction site, the Audit Team met with the on-site inspector and observed and inquired about the culvert replacement activities.

The Audit Team further assessed whether material delivery tickets could be reconciled to daily reports and whether required third-party testing—such as compaction, density, and concrete strength testing—was performed. In addition, the Audit Team verified the completion of key project closeout documents, including the surveyor's "as-built" report, Project Summary Report, and Certificate of Substantial and Final Completion.

Invoice Testing

Using the same sample of projects, the Audit Team evaluated vendor invoices to determine whether billed quantities and materials were supported and accurately calculated. The Audit Team also assessed whether payments were issued within required timeframes in accordance with applicable prompt payment requirements. Additionally, the Audit Team met with Public Works to discuss the policies and procedures as it relates to Non-Priced Items (NPI).

TESTING RESULTS

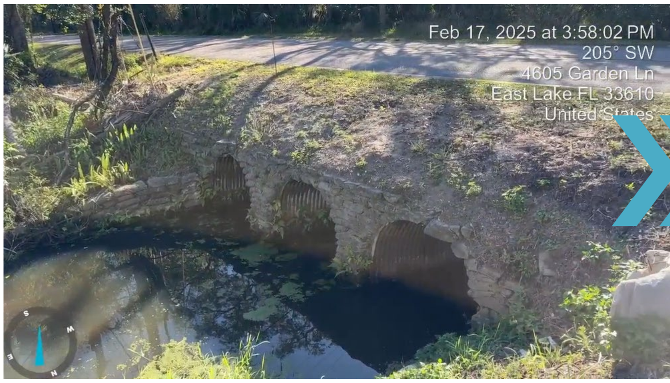
Project Monitoring

The Audit Team performed project monitoring testing over a judgmental sample of three completed projects:

Contract	Address	Culvert Type	Referenced As
East	4605 Garden Lane, Tampa, FL 33610	RCP	"Garden"
South	13921 Gavin Road, Dover, FL 33527	RCP	"Gavin"
West	5801 Benjamin Center Drive, Tampa, FL 33634	CIPP	"Benjamin"

Overall, the Audit Team observed that required project documentation was generally maintained and available across all three locations, including contract plans, cost estimates, scopes of work, daily reports, delivery tickets, testing results, and project closeout documents. Daily reports were consistently prepared and provided sufficient detail to support construction activities, and delivery tickets generally aligned with the work performed.

GARDEN LANE



GAVIN ROAD

BENJAMIN DRIVE

AUDIT OBSERVATIONS

- Daily reports were prepared for nearly every day of the projects, including days with no activity, and sampled reports indicated that work performed was appropriately documented.
- Inspector's names were not consistently entered into the appropriate system field.
- Certain delivery tickets were of poor image quality, limiting the ability to fully verify specific materials delivered.

Despite these minor inconsistencies, the overall project management control framework appears to be suitably designed and implemented to provide reasonable assurance that projects are being appropriately monitored and managed.

Invoice Testing Results

The Audit Team exported line-item data from the project management system and performed analytical procedures to determine whether billed quantities and associated dollar amounts agreed to supporting invoice documentation.

No exceptions were identified for the Garden Lane and Gavin Road projects. The Audit Team verified all line items against invoice data, confirmed that recalculated totals agreed to amounts paid, and determined that invoices were properly supported by required documentation.

For the Benjamin Center Drive project, one (1) exception was identified related to a pre-construction audiovisual survey. The vendor captured the video at an incorrect location nearby, rather than the designated project site. The vendor issued a refund to the County for the line-item cost of this item. The Audit Team verified all line items against invoice data, recalculated totals, and confirmed that billed amounts agreed to payments made. Required supporting documentation was generally present.

Overall, the system of controls appears to support accurate invoice processing and payment.

Prompt Payment Testing Results

Overall, invoices appeared to be processed and paid in a timely manner across all projects sampled.

The Audit Team elected to test the full population of invoices within the audit scope period of January 1, 2023, through January 31, 2026. All 401 invoices for this period were paid within the required timeframe. The longest processing time identified was 21 business days, which remains within the 25-business-day threshold established by the Florida Prompt Payment Act.

> Per Florida Statute 218.735(1)(a), payment for construction-related services is required within 25 business days after the date an appropriate payment request or invoice is stamped as received.

While no timeliness exceptions were identified, the Audit Team noted minor documentation inconsistencies, including one instance where the invoice number did not exactly match the corresponding entry in Oracle, and one instance where a check number was not reflected in the project management system.

<u>Non-Priced Items (NPI)</u>

Public Works (PW) applies professional judgment when evaluating NPIs requested by the contractor to determine whether costs are reasonable and adequately supported. Each contract establishes a maximum NPI allowance that must not be exceeded and PW utilizes several methods to evaluate NPI pricing, including reviewing Florida Department of Transportation (FDOT) Historical Item Average Cost Reports, Regional Market Area Moving Averages, and Statewide Moving Targets data, as well as referencing similar line items from other (Hillsborough) County construction contracts. For specialized or niche pay items not clearly represented within the FDOT data, PW may discuss pricing methodologies directly with the contractor and consult with internal or external professionals, as appropriate.

Contractors are required to provide supporting documentation for NPIs, including invoices, receipts, labor records, and other cost support, which is maintained with applicable work order documentation. During fieldwork, the Audit Team verified that PW reviewed supporting documentation and utilized available reference data to assess the reasonableness of NPI pricing.

RECOMMENDATIONS

To address the issues noted during testing, management should:

1. Ensure inspectors and staff enter names and other key information consistently into the correct fields within the project management system when performing project-related activities.
2. Ensure that the vendor uploads clear and legible images for all supporting documentation, including delivery tickets, to support effective review and verification of materials used.
3. Formalize the existing procedures and documentation standards that guide the evaluation and pricing of Non-Priced Items, ensuring consistency, transparency, and adequate support for pricing determinations.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Testing results and audit recommendations were presented to management during the virtual exit conference on June 15, 2026.

Management **CONCURS** with the results of the audit and has developed the following plan of corrective action to address the audit recommendations.

Recommendation 1:
Management concurs with the recommendation. Public Works will reinforce training and written guidance for inspectors and other responsible staff regarding the consistent entry of names and other required project information into the designated fields within the project management system. Supervisory staff will periodically review project records for completeness and provide follow-up guidance when inconsistencies are identified.

Recommendation 2:
Management concurs with the recommendation. Public Works will require the vendor to provide clear, legible, and high-quality images for all supporting documentation and will enforce documentation quality standards.

Recommendation 3:
Management concurs with the recommendation. While the current NPI evaluation practices have consistently ensured sound pricing decisions, the observation appears tied to niche or uncommon work items. Management will formalize the procedures and documentation standards to ensure clarity and consistency across all NPI scenarios.

Target Completion Date(s): January 29, 2027.

APPENDIX A

KEY RISK: STORMWATER CULVERT CONSTRUCTION BACKLOG

As of April 27, 2026, Hillsborough County has approximately 418 stormwater culverts identified in its backlog to be planned and programmed for repair or replacement through the capital improvement program (CIP). These are based on inspection and evaluation of age, condition and risk of future failure. The total amount of this backlog is estimated at approximately $86.2 million.

Approximately $14 million of Stormwater Assessment revenue is programmed annually in the County's CIP for culvert repair and replacement projects, which goes towards addressing this backlog. However, additional needs are identified each year, and the backlog has accumulated due to funding levels that haven't fully addressed the need.

The capital funding needs of the overall stormwater program (including culverts) are considered when the County sets the annual rates for the Stormwater non-Ad Valorem Assessment.

Recently, federal grant funds have been made available to the County by the U.S. Department of Housing and Urban Development (HUD) through the Community Development Block Grant - Disaster Recovery (CDBG-DR) program to support long-term recovery efforts in areas impacted by federally declared disasters. The Board of County Commissioners has approved 135 projects to repair or replace culverts across the County with approximately $30 million in CDBG-DR funds.

THE AUDIT TEAM WOULD LIKE TO EXTEND ITS SINCERE APPRECIATION TO THE MANAGERS AND STAFF OF THE PUBLIC WORKS DEPARTMENT AND THE PROCUREMENT DEPARTMENT.

WE WERE MET WITH PROFESSIONALISM AND COOPERATION THROUGHOUT THE AUDIT PROCESS.

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