DEPARTMENT OF PUBLIC WORKS
ENGINEERING DIVISION

REVIEW OF PROFESSIONAL SERVICE CONTRACTS

APRIL 2002

Prepared by:
Internal Audit Division
Clerk of the Circuit Court

April 18, 2002

The Honorable Daryl McLain,
Chairman
The Board of County Commissioners
Seminole County, Florida
1101 East First Street
Sanford, FL 32771

Dear Mr. Chairman:

I am very pleased to present you with the attached audit of professional service contracts under the administration of the Engineering Division.

Management's responses have been incorporated into the final report. It is our opinion that payments made to the consultants are in accordance with the terms and conditions of the contract. The internal administrative controls over the contracts are adequate and operating in accordance with state and county policy.

I would like to thank the men and women of the Engineering Division and the Purchasing Division for their cooperation and assistance throughout the course of this audit. The assistance is deeply appreciated. With warmest personal regards, I am

Most cordially,

Maryanne Morse
Clerk of the Circuit Court
Seminole County

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TABLE OF CONTENTS

Seminole County
Department of Public Works
Engineering Division

Review of Professional Service Contracts

The Internal Audit Division of the Office of the Clerk of the Circuit Court has completed a review of professional service contracts under the management and administration of the Engineering Division. The audit was performed as part of an annual risk assessment.

PURPOSE

The purpose of the audit was to determine if the administrative controls over the professional service contracts are adequate and operating as intended in compliance with applicable laws, regulations, and other Seminole County policies and procedures. Specifically, the purpose of the audit is to ensure that all payments to the professional service contractors were made in accordance with established terms, conditions, laws, and regulations.

BACKGROUND

The Engineering Division contracts with firms and consultants that are experienced in construction, engineering and inspection services. These consultants are responsible for designing detailed construction plans, and also act as the construction managers once a project begins. The consultant's duties include:

1. Assuring that the projects are properly coordinated;
2. Assuring that records are maintained in an organized, complete, and accurate fashion;
3. Providing interpretations of the plans, specifications, and contract provisions;
4. Making recommendations to the county to resolve disputes which arise in relation to the construction contract; and
5. Maintaining an adequate level of surveillance of the contractor's activities.

The consultants are responsible for the professional quality, technical accuracy and the coordination of all plans, studies, reports and other related services. They also act to ensure that the projects are completed in conformity with plans and specifications.

The consultants also are responsible for maintaining records and reporting the status of the projects to the county, and for reviewing bids received by major construction contractors.

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During the period from October 2000 through September 2001, payments to consultants for these services totaled $4,100,321.12. The results of the audit are included in the report that follows.

SCOPE

The scope of this audit included a review of the billings and supporting documentation for the period October 1, 1997 to September 30, 1999. All source documents related to these invoices were subject to review. The audit did not include a review of the division's contracts with the major construction contractors, as the supporting documentation for each of these contracts is located in the consultant's offices.

The audit included:

- Review of procedures used to ensure compliance with established purchasing policies and procedures, Florida State Statutes, and other applicable regulations;
- Review of internal controls to ensure that all payments to the contractors are in accordance with established terms, conditions, laws, and regulations;
- Review of invoices for accuracy, fullness, and timeliness;
- Review of the bidding process used by the county to ensure that competition is fair, consistent, and provides for the most economical and efficient service to the community;
- Review of the process used by the Engineering Division to monitor the firms billings to the county;
- Review of the special terms and conditions contained in the contract; and,
- Any other procedures considered necessary under the circumstances.

The audit was performed by Bill Carroll and Gail Joubran.

OVERALL EVALUATION

It is our opinion that payments made to the consultants are in accordance with the terms and conditions of the contract. Internal administrative controls over the contract are adequate and operating in accordance with state and county policy. The following minor conditions were noted during the course of the audit:

- Some business procedures are not formally documented;
- A supervisor or project manager did not always sign off timesheets submitted by the consultants; and,
- Some of the contract language (Section 7. Payment and Billing) is outdated and not in compliance with Florida Statute 218.735.

Our detailed findings and recommendations are included in the report that follows.

FINDING NO. 1

Some of the contract language (Section 7. Payment and Billing) is outdated and not in compliance with Florida Statute 218.735.

Pursuant to Section 218.735(1)(b) of the Florida Statutes (Timely payment for purchases of construction services), the payment deadline is 20 days after the receipt of an invoice or payment request. Further, Section 218.735(7) states that "all payments due under this section and not made within the time periods specified by this section shall bear interest at the rate of 1 percent per month, or the rate specified by contract, whichever is greater."

Internal audit found that the existing contract clause, Section 7(i) Payment and Billing, states: "Payment shall be made after review and approval by County within thirty (30) days of receipt of a proper invoice from the Consultant."

By not updating its contracts, the county is legally responsible for interest on all invoices paid after the payment deadline set by Statute (20 days), but before the deadline specified in the contract (30 days).

Although the contracts are not updated with the revised contract language, we found no instances of the county not making a timely payment (within the statutory twenty day limitation) to the consultants.

Recommendation
Incorporate in all future contracts, the Florida Statute requirement regarding the Prompt Payment clause.

Management Response
Engineering will work with the Purchasing Division and Legal Services to insure that all new construction-related service contracts incorporate the Florida Statue requirement regarding the Prompt Payment clause as cited and discussed in the audit report.

FINDING NO. 2

A supervisor or project manager did not always sign off timesheets submitted by the consultants.

Sound internal control dictates that a supervisor should sign off on timesheets to ensure that the labor charges are accurate. We reviewed billings for nine consultants and found that six had submitted timesheets that had not been approved by a supervisor.

Recommendation
Request the consultants to have a supervisor or project manager sign off on all time sheets prior to submittal to county.

Management Response
Engineering will reiterate to the consultants the requirement to have a supervisor or project manager sign off on all time sheets prior to submittal to the County. Invoices will be rejected if not properly signed by a supervisor or manager within the consultant's organization.

FINDING NO. 3

Some of the business processes are not formally documented into a procedure manual.

Although some managers have begun the process of developing procedures, the division does not have a comprehensive policy and procedure manual.

A comprehensive policy and procedure manual, which covers the division's business processes, will ensure that the steps taken by the division personnel are in accordance with management's direction. The manual would also serve to provide an ongoing training manual for new employees. Listed below are some of the areas that we believe should be addressed when drafting procedures.

- A written procedure that describes the steps taken to monitor the contractor's performance.
- The internal procedures used by the selection committee regarding the bidding process and selection of consultants and/or construction contractors that complement the county's purchasing code.
- Coordinating billing procedures between the departments of Engineering and Environmental, to assure that all invoices are timely paid.

Recommendation
We suggest that management complete a policies and procedures manual for the Engineering Division.

Management Response
By December of 2003, the Engineering Division will complete a formal policy and procedures manual, including review and filing with the Director's Office.