



# AUDIT REPORT



**DATE** January 24, 2019

**NO.** 2019-001

## ANNUAL CONTRACTORS

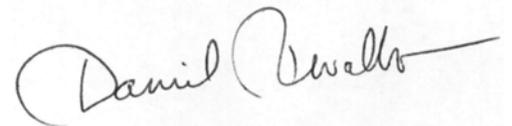
INTERNAL AUDIT DIVISION  
ROGER D. EATON  
CLERK OF THE CIRCUIT COURT AND COUNTY COMPTROLLER  
CHARLOTTE COUNTY FLORIDA

Honorable Roger D. Eaton  
Charlotte County Clerk of the Circuit Court and Comptroller  
350 East Marion Avenue  
Punta Gorda, Florida 33950

We have completed an audit of Annual Contractors. The purpose of this audit was to ensure adequate controls exist regarding contract awards, administration, and renewals for annual contracts.

The report details the current control environment and includes our comments and recommendations. Management responses from the Senior Division Manager – Purchasing have been included and immediately follow the audit report.

Respectfully submitted,

A handwritten signature in black ink that reads "Daniel Revallo". The signature is written in a cursive style with a long horizontal stroke extending to the right.

Daniel Revallo  
Internal Audit Director

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## EXECUTIVE SUMMARY

The Internal Audit Division performed an audit of the procurement process for the County's annual contracts. Controls reviewed were generally adequate. Findings reported were minor in nature to ensure documentation is current and complete. No significant issues were determined.

Our audit procedures disclosed the following:

1. Contract bid files reviewed were well maintained and orderly and, except for as noted below, contained all applicable forms and documentation, etc.
2. Contracts reviewed appeared to be administered, awarded and expended in compliance with applicable Florida Statutes, the County's Procurement Code: Article VI as well as the County's Purchasing Manual, etc.
3. Proper oversight and controls appeared to be in place and operating as intended.

Based upon the findings of our audit procedures, we offer a summary of recommendations. These recommendations are discussed in detail later in this report:

1. **We recommend** that all Contractor/Vendor Performance Evaluations include the preparer's name and the date of completion as well as the performance year under review.
2. **We recommend** that a secondary review of bid packages include the verification of key contract provisions.
3. **We recommend** that the County Attorney's signature be obtained on contracts, when required, to properly document review of contract form and legal sufficiency.
4. **We recommend** that all pertinent documentation, including Notification of Non-Responsive Bid, be maintained within the contract bid file.
5. **We recommend** that the appropriate coverage information be requested, retained and verified to ensure that all insurance requirements are met upon contract award. Likewise, updated information should be requested upon contract renewal to ensure coverage requirements are continually maintained by the awarded Contractor/Vendor.
6. **We recommend** that the Purchasing Manual be updated to reflect the current referencing of Article VI: Procurement Code as found on the Municode website. All references included within the Purchasing Manual should be reviewed as part of the annual review for manual changes and updates. This includes references to the Procurement Code, Florida Statutes, CFRs, etc.

## BACKGROUND

Section 1-2-181(b) of Article VI. Procurement Code for Charlotte County stipulates that, "The County is authorized to procure goods and services of every description and nature necessary to the operation of county government under this Article." The Board of County Commissioners delegates this authority through County Administration to the County's Purchasing Division. While the Senior Division

Manager-Purchasing is ultimately responsible for procurement operations, the function, because of its complexity, requires the cooperation of the various County departments and employees, etc.

Annual contracts are procured using the procedures defined within the County's Purchasing Manual. Contractors/Vendors are generally selected by means of request for proposals, quotations, and competitive sealed bid procedures.

Approval thresholds, at the time of our audit, were noted as -

\$0-\$5000 – Department only

\$5,000-\$50,000 – Department and Senior Division Manager-Purchasing

\$50,000-\$150,000 – Department, Senior Division Manager-Purchasing and County Administration

\$150,000 and Greater – Board of County Commissioners (BOCC) only

One year contracts may be renewed up to two (2) times, unless competitively procured or otherwise specified by the BOCC. Renewals are further contingent upon satisfactory performance evaluations completed by the Contract/Project Manager.

### AUDIT OBJECTIVES

1. To determine if annual contract funds are awarded in a competitive, fair manner, and without conflict of interest or other impropriety, or the appearance of impropriety.
2. To determine if annual contracts are administered, awarded and expended in compliance with applicable Florida Statutes, the Article VI. Procurement Code as well as the Charlotte County Purchasing Manual (as approved on May 13, 2016).
3. To determine if annual contracts are renewed upon "Satisfactory" Contractor/Vendor Performance Evaluations prepared by the Contract/Project Manager.

### AUDIT SCOPE AND METHODOLOGY

The County's annual contracts, as provided by the Senior Division Manager-Purchasing, comprised of 202 contracts. Our scope included a 5% sample, ten (10) contracts. The sample was selected, at random, utilizing CaseWare Idea, a Data Analytics Software.

Annual contracts sampled were awarded by means of request for proposals, quotations and competitive sealed bid procedures, etc. The requesting (and responsible) departments included County Administration, Facilities, Information Technology, Public Works and Utilities.

Contract files were reviewed for content, accuracy and overall compliance with applicable Florida Statutes, the Article VI. Procurement Code and the Procedures Manual.

We also examined activity, as observed in Eden, for the 2017 and 2018 fiscal years. Considerations primarily included transaction workflow, review and approvals, and consistency with awarded terms/prices and procedures followed, etc.

## COMMENTS AND RECOMMENDATIONS

### 1. Contractor/Vendor Performance Evaluation forms are incomplete

We identified three (3) occurrences where the Contract/Project Manager did not sign the Contractor/Vendor Performance Evaluation. Likewise, the majority examined did not contain the date(s) of evaluation or form completion. One (1) form examined was entirely incomplete, in that the evaluation questions were not answered.

Contract renewals are contingent upon satisfactory performance evaluations completed by the Contract/Project Manager; therefore, proper form completion is key.

**We recommend** that all Contractor/Vendor Performance Evaluations include the preparer's name and the date of completion as well as the performance year under review. Evaluations determined to be incomplete should be returned to the Contract/Project Manager for proper completion prior to the approval of the contract renewal.

### 2. Bid package includes erroneous award through date

The "Technical Specifications & Conditions" portion of the Bid Package provided for the Reroofing and Roof Repairs annual contract contained an erroneous award through date of December 31, 2015. The correct term for this contract was through December 31, 2016. The correct term, however, was properly documented when awarded on April 26, 2016.

The signed bid form coupled with the complete bid package and award documentation, constitutes a binding contract; therefore, consistency and accuracy of contract provisions is key.

**We recommend** that a secondary review of bid packages include the verification of key contract provisions. This should occur prior to presenting the Notice of Availability for public bid.

### 3. Contract lacks County Attorney's signature

The County Attorney's signature was absent on the Florida Lobbyist annual contract.

Although it does appear the contract was reviewed, the County Attorney's signature is absent on the contract.

**We recommend** that the County Attorney's signature be obtained on contracts, when required, to properly document review of contract form and legal sufficiency.

### 4. No evidence of Notification of Non-Responsive Bid on file

Evidence of Notification of Non-Responsive Bid could not be located for a Contractor who bid on the Reroofing and Roof Repairs annual contract and was deemed "non-responsive" upon review.

Procedures noted through inquiry, typically include a courtesy call and a follow-up email to the Contractor/Vendor.

**We recommend** that all pertinent documentation, including Notification of Non-Responsive Bid, be maintained within the contract bid file. This should include notation for courtesy calls and/or a copy of the follow-up email or letter.

## 5. Inability to verify all insurance requirements and no follow-up upon contract renewal

We were not able to determine if all insurance requirements are met upon award or upon contract renewal.

Bid forms typically demand, "Within seven (7) calendar days of notice of award, the Contractor shall furnish a copy of the declaration page and required endorsements for all applicable policies..." Bid forms noted were often worded slightly different from one another; however, the 7-day requirement remained constant. Some certificates reviewed were not compliant with this provision.

Bid forms further specify that, "Insurance shall be written by insurers authorized to do business in the State of Florida and with a minimum Best Insurance Guide rating of A-VII." We noted no evidence of verification of this requirement.

Another stipulation noted includes, "Insurance requirements are subject to periodic review by the County." Through inquiry and review, it was determined that updated certificates are not routinely requested upon policy expiration or contract renewal, etc. The Purchasing Division *has since implemented* a periodic report to assist in identifying expiring certificates in order to ensure updated certificates are requested in a timely manner.

Many contract files reviewed did not contain endorsement support and given the details noted on the certificates maintained, we were unable to reasonably satisfy that all requirements were met upon contract award and/or upon renewal, etc.

**We recommend** that the appropriate coverage information be requested, retained and verified to ensure that all insurance requirements are met upon contract award. Likewise, updated information should be requested upon contract renewal to ensure coverage requirements are continually maintained by the awarded Contractor/Vendor.

## 6. References in the Purchasing Manual need update

Manual references to the Charlotte County Procurement Code were noted as corresponding to the Ordinance No. 95-025 version of the Code.

Users may have difficulty finding the manual references within the current Procurement Code as found on the Municode website.

**We recommend** that the Purchasing Manual be updated to reflect the current referencing of Article VI: Procurement Code as found on the Municode website. All references included within the Purchasing Manual should be reviewed as part of the annual review for manual changes and updates. This includes references to the Procurement Code, Florida Statutes, CFRs, etc.

## FOLLOW UP ON PRIOR COMMENTS

As part of our 2018 Annual Contracts audit, we followed up on recommendations reported in our Annual Contractors Managed by Facilities audit report issued October 28, 2011. The results of our follow up to recommendations and responses are as follows:

1. **We recommend** that a formal procedure be developed where each contractor who is performing work under an annual contract be evaluated after every project is completed. These evaluations should be performed by Facilities and the County department where the contractor provided the services. In addition, the evaluations should be maintained in a centralized location and periodically reviewed by Facilities and Purchasing Management.

**Status: Corrective action implemented.** The Contractor/Vendor Evaluation Form existed previously; however, it had not been implemented on annual contract renewals. The Contractor/Vendor Evaluation Forms have since been implemented on annual contract renewals and are maintained within the contract file. *Refer to the previous "Comments and Recommendations" section for related, current year recommendations.*
2. **We recommend** that the procurement of goods or services in excess of \$50,000 be made with competitive sealed bids as required by the ordinance.

**Status: Corrective action implemented.** No known or identified exceptions were noted through means of general inquiry and/or detailed test procedures performed.
3. **We recommend** that when annual contractors are used, if they use sub-contractors, that all release of liens be verified and project completion is verified before final payment is made for the project.

**Status: Corrective action implemented.** This is the responsibility of the Contract/Project Manager. Approval within SharePoint ultimately represents both a confirmation of completion as well as an authorization to pay.

## CONCLUSION

The audit procedures performed identified opportunities to improve and enhance the County's procurement process for annual contracts.

## ACKNOWLEDGEMENT

We would like to thank the Senior Division Manager-Purchasing and Risk Management as well as respective staffs for their cooperation and assistance in completing this audit.

Audit performed by:  
Misti Payette  
Internal Auditor  
Charlotte County Clerk of Court & County Comptroller



## MEMORANDUM

Date: December 21, 2018  
To: Dan Revallo, Internal Auditor, Clerk of the Circuit Court  
From: Kimberly A. Corbett, C.P.M., CPPB, Senior Division Manager – Purchasing  
Subject: Procurement Audit

The following is in response to the Internal Audit performed on the procurement process for the County's annual contracts. All findings were identified as "housekeeping" items and no substantial discoveries.

### Response Items:

1. The Contractor / Vendor Performance Evaluation form in SharePoint has been updated to include a date field next to the Department Reviewer's name. Also, staff has been reminded of the requirement to verify completion of the form prior to finalizing the renewal of the contract.
2. This was a typo-graphical oversight. The Purchasing Division holds weekly specification review meetings to review bid packages in their entire prior to the official release of the document. The specification review meeting is attended by all Contract Specialist staff and the Senior Division Manager.
3. All contracts obtain the County Attorney's signature prior to the finalization of the contract documents. These documents are verified by the County Attorney's Office, Board of Commissioners' Office and Purchasing Division before completion of all signatures.
4. Staff has been reminded of the requirement on all Non-Responsive Bid notifications. The Contract Specialist will notify the bidder verbally and then after verbal notification, written documentation will be sent and maintained in the contract file.
5. The insurance requirement language section for "Proof of Coverage" section has been updated as follows. Also, a review by the Risk Manager of all Certificates has been established.
  - a. "**Proof of Coverage** - Prior to the commencement of performance of services the Contractor shall furnish to the County Purchasing Division Certificates of Insurance and amendatory endorsements or copies of the applicable policies. These certificates shall provide that such insurance shall not be terminated or expire without notice thereof in accordance with the policy provisions and Contractor shall maintain such insurance from the time the Contractor commences performance of services until completion of such services. "
  - b. All Certificates of Insurance Policies received for a project will be reviewed by Ray Carter, Risk Manager and his approval will be obtained via e-mail prior to the contract execution or purchase order issuance.
6. As part of the next Purchasing Manual update, any reference numbers contained in the Purchasing Manual will be updated from the Ordinance reference to the Municode reference.

If there is any additional information required, please feel free to contact me.

cc: Gordon Burger, Director of Budget & Administrative Services

