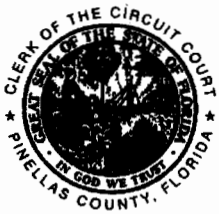


2. REPORTS TO BE RECEIVED FOR FILING

Division of Inspector General, Audit Services, Clerk of the Circuit Court and Comptroller, Report No. 2012-24 dated November 8, 2012 – Follow-Up Audit of Utilities and Public Works Engineering Consultant Selection Processes.



## Ken Burke, CPA


CLERK OF THE CIRCUIT COURT AND COMPTROLLER  
PINELLAS COUNTY, FLORIDA

Clerk of the County Court and Comptroller  
Recorder of Deeds  
Clerk and Accountant of the Board of County Commissioners  
Custodian of County Funds  
County Auditor

### \*Division of Inspector General

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Clerk's website: [www.mypinellasclerk.org](http://www.mypinellasclerk.org)

TO: The Honorable Chairman and Members  
of the Board of County Commissioners

FROM:  Ken Burke, CPA  
Clerk of the Circuit Court and Comptroller  
Ex Officio County Auditor

SUBJECT: Follow-Up Audit of Utilities and Public Works Engineering Consultant  
Selection Processes

DATE: November 8, 2012

For your review and filing in the Official Records, I am enclosing a copy of the report dated November 8, 2012 on the above-referenced audit.

I hope you find this report helpful in ensuring Pinellas County government provides the best possible service to our citizens.

cc: Robert S. LaSala, County Administrator  
David E. Scott, PE, Executive Director, Department of Environment and Infrastructure  
Jorge M. Quintas, P.E., Director, Division of Engineering and Technical Support, DEI  
Ivan Fernandez, P.E., Planning & Design Section Manager, DEI  
James Hall, P.E., Division of Engineering and Technical Support, DEI  
Jim Bennett, County Attorney  
Claretha N. Harris, Chief Deputy Director, Finance Division  
Ernst & Young



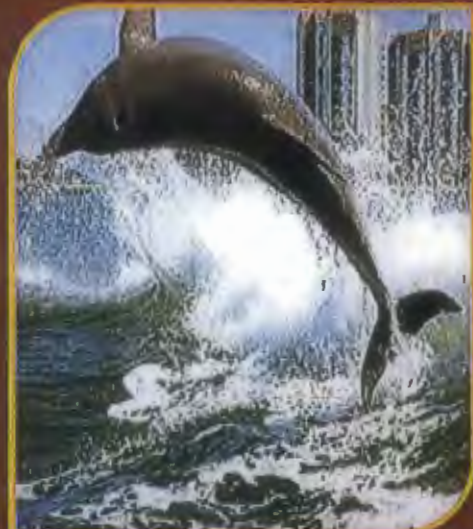
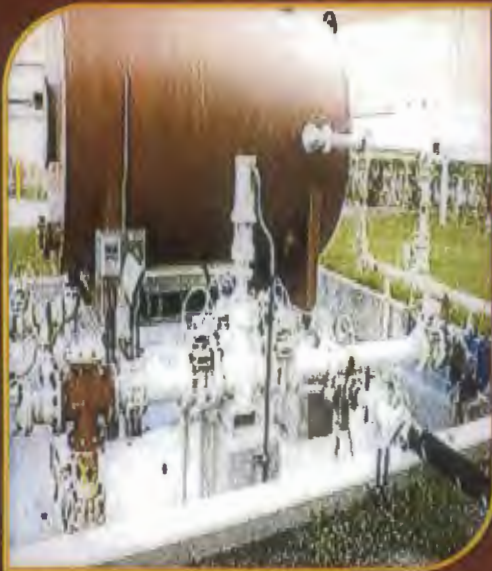


## **DIVISION OF INSPECTOR GENERAL**

**KEN BURKE, CPA**

**CLERK OF THE CIRCUIT COURT AND COMPTROLLER  
PINELLAS COUNTY, FLORIDA**

# **FOLLOW-UP AUDIT OF UTILITIES AND PUBLIC WORKS ENGINEERING CONSULTANT SELECTION PROCESSES**

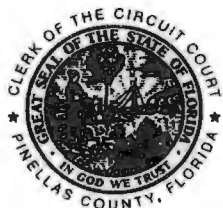


**Hector Collazo, Jr., Director  
Inspector General/Chief Audit Executive**

### **Audit Team**

**Ron Peters, CIA, CISA, CIGA, CBA, CCL – Senior Inspector General Auditor  
William J. McGuinness, CIGA, CGMA, CLEO, CPA (ret.) – Inspector General Auditor II**

**NOVEMBER 8, 2012  
REPORT NO. 2012-24**



## Ken Burke, CPA

CLERK OF THE CIRCUIT COURT AND COMPTROLLER  
PINELLAS COUNTY, FLORIDA

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November 8, 2012

The Honorable Chairman and Members of the Board of County Commissioners

We have conducted a Follow-Up Audit of the Department of Environment & Infrastructure (DEI) (formerly the Utilities and Public Works Departments) Engineering Consultant Selection Processes. The objectives of our review were to determine the implementation status of our previous recommendations.

Of the seven recommendations contained in the audit report, we determined that all have been implemented. The status of each recommendation is presented in this follow-up review.

We appreciate the cooperation shown by the staff of the Department of Environmental & Infrastructure during the course of this review.

Respectfully Submitted,

Hector Collazo, Jr., Director  
Division of Inspector General

Approved:

Ken Burke, CPA\*  
Clerk of the Circuit Court and Comptroller  
Ex Officio County Auditor

\*Regulated by the State of Florida



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# INTRODUCTION

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## ***Scope and Methodology***

We conducted a follow-up audit of the Department of Environmental & Infrastructure (DEI) (formerly the Utilities and Public Works Departments) Engineering Consultant Selection Processes. The purpose of our follow-up review is to determine the status of previous recommendations for improvement.

The purpose of the original audit was to:

- 1) Determine the compliance with laws, rules, and policies and procedures related to departmental selections of contractors approved by Consultants' Competitive Negotiations Act (CCNA) processes.
- 2) Determine the adequacy of internal controls over departmental selections of contractors approved by the CCNA processes.
- 3) Determine that departmental distributions of contract awards to contractors approved by the CCNA processes are equitable and fair.

To determine the current status of our previous recommendations, we surveyed and/or interviewed management to determine the actual actions taken to implement recommendations for improvement. We performed limited testing to verify the process of the recommendations for improvement.

Our follow-up audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and the *Principals and Standards for Offices of Inspector General*, and, accordingly, included such tests of records and other auditing procedures, as we considered necessary in the circumstances. Our follow-up testing was performed during the month of October 2012. The original audit period was October 1, 2007, through July 31, 2009. However, transactions and processes reviewed were not limited by the audit period.

## ***Overall Conclusion***

Of the seven recommendations in the report, we determined that all were implemented. We commend management for implementation of our recommendations.

## Status

OFI NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS				
		Implemented	Acceptable Alternative	Partially Implemented	Not Implemented	No Longer Applicable
1	<b>Public Works Procedures For Documenting Selections And Management Approvals Should Be Improved.</b>					
1A	<b>Public Works Outside Consultant Procedures Related To Documenting Selection of Firms Should Be Developed.</b>					
	A. Establish written procedures for the process of documenting justification of why one firm was selected over other firms from the pool of engineering consultants.	✓				
	B. Going forward, document in writing and retain in the applicable project file, a justification for selection of the firm. It should include why one firm is selected over another firm from the pool for a project and reasons why other engineering firms with less dollars used were <u>not</u> selected for the project.	✓				
	C. Establish formal written procedures for the process of the detail steps, methodology and criteria used by Public Works Engineering Management in selecting firms from each pool of consultants for project work.	✓				
1B	<b>Procedures For Public Works Management Approval Documentation For Consultant Selection Should Be Improved.</b>					

## Follow – Up Audit of Utilities &amp; Public Works' Engineering Consultant Selection Processes

OFI NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS				
		Implemented	Acceptable Alternative	Partially Implemented	Not Implemented	No Longer Applicable
	Update and improve the clarity of the written DEI Consultant Selection procedures for the process to include the detail of the steps and forms for Public Works Engineering management to document and retain two levels of management (DEI Committee management) approvals for each selection decision of a consultant from the pool for a project. It should also indicate and clarify which member of management or department should retain the documentation of the approvals for each selection decision.	✓				
2	<b>Utilities Outside Consultant Procedure On Documenting Selection Of Firms Should Be Developed.</b>					
	A. Establish written procedures for the process of documenting justification of why one firm was selected over other firms from the pool of engineering consultants.	✓				
	B. Going forward, document in writing and retain in the applicable project file, a justification for selection of the firm. It should include why one firm is selected over another firm from the pool for a project and reasons why other engineering firms with less dollars used were <u>not</u> selected for the project.	✓				
	C. Establish formal written procedures for the process of the detail steps, methodology and criteria used by Utilities Engineering Management in selecting firms from the pool of consultants for project work.	✓				

# Background

## Department of Environment & Infrastructure



The Department of Environment & Infrastructure resulted from a merging of three existing county departments—Public Works, Utilities and part of Environmental Management. The consolidation is designed to combine three very vibrant work cultures while providing cost effective and efficient services to Pinellas County residents.

## Pinellas County Utilities Engineering:



The Utilities Engineering Department maintains a pool of 18 engineering consultant firms from which to select for engineering design projects. The 18 consultants can be used for the Utilities' project areas of:

- Water
- Sewer
- Reclaimed Water
- Solid Waste

The mission of the Utilities Engineering Division states that it is committed to providing quality, cost effective engineering services to all our customers by planning,



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**Follow – Up Audit of Utilities & Public Works' Engineering Consultant Selection Processes**

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developing, overseeing, and designing for new construction, renewal, and replacement of:

1. Wastewater Collection and Transmission Systems
2. Wastewater Treatment and Disposal Facilities
3. Water Production Facilities
4. Water Distribution Systems
5. Solid Waste Facilities

For each engineering project, the Director of Engineering makes a selection of a consultant firm from a list of 18 engineering consultant firms that were the top 18 from the CCNA ranking process. The Director will select a firm that matches the work scope need (and with available dollars in the contract) and will ask the firm to meet and provide a proposal. The ranking process of firms was completed about August 24, 2006, and three year contracts were initially executed for each of these 18 engineering consultant firms for \$1.5 million each (total \$27 million). Also, initially a three year contract for each consultant was executed with each contract having the same authorized amount. Utilities has extended the contracts to a 4th year for a \$36 million total authorized amount. The Utilities plan is to go through a reselection and scoring process once the contract term for a fifth year has been extended and completed. The authorized amount for the contracts will total \$45 million through the fifth and final year of the contract term.

The Utilities Director has authorized about \$14 million to these 18 consultants for spending from August 24, 2006 through September 9, 2009 using 81 projects (work assignments).

### ***Pinellas County Public Works Engineering:***



The Public Works Engineering Department manages two different types of consulting agreements:

1. Large project specific (e.g. a large road project) agreements.
2. General engineering project agreements, which are for smaller projects.

For the large project specific agreements, Public Works uses the CCNA process for solicitation, competitive selection and negotiation. Public Works maintains several pools of general engineering consulting agreements for the smaller projects. In the general engineering project agreements, a list of consultants is established from the first part of the CCNA process. For the consultants on this list, Public Works has contract purchase agreements executed for these consultants and then uses the agreements on a work order basis. The amount of the contract purchase agreement is not encumbered, but instead there is a "not to exceed" amount

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**Follow – Up Audit of Utilities & Public Works' Engineering Consultant Selection Processes**

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for the contract purchase agreement. The selection of the firm is done by the Public Works Division Engineer.

Public Works maintains 10 pools of general engineering consulting agreements, which include:

- General Engineering
- Survey & Mapping
- Geo-Technical
- Others

Each pool has different:

- Agreement term dates
- Renewal option periods
- Number of consultants

Initial terms are for three years before considering the renewal options. Expiration dates vary for the pool agreements from 2010 through 2012. The total amount awarded under these 10 pools of agreements equals about \$106 million and the amount spent on these agreements through November 24, 2009 is about \$16.3 million.

The Public Works' mission is to serve the citizens and visitors of Pinellas County by providing, implementing, operating and maintaining transportation and surface water programs in a professional manner which supports economic and community growth. Public Works plays a major role in developing and maintaining the County's transportation and surface water management programs. It also provides engineering and construction services to other Pinellas County Departments:

- ***Parks & Recreation Department***



- ***Community Development***



Public Works is comprised of multiple major departments:

1. CIP and Production
2. Transportation
3. Operations
4. Financial Services

The Public Works Financial Services Division is responsible for the oversight and monitoring of the fiscal, clerical and administrative activities of the Public Works department. This Division performed administrative functions associated with Professional Services Consultant Selection for all County departments until October 1, 2009 when the County Purchasing Department took over responsibility for all facets of the Capital Improvement Program/CCNA procurement process and facilitated the selection of consultants for design projects. In addition, this Division has direct responsibility for the fiscal and financial affairs of Public Works. This includes accounting for the costs of directing and organizing all support functions of the Capital Improvement Program within the department.

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# STATUS OF RECOMMENDATIONS

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This section reports our follow-up on actions taken by management on the Recommendations for Improvement in our original audit of the Department of Environmental & Infrastructure (formerly the Utilities and Public Works Departments). The recommendations contained herein are those of the original audit, followed by the current status of the recommendations.

## **1. *Public Works Procedures For Documenting Selections And Management Approvals Should Be Improved.***

### **A. *Public Works Outside Consultant Procedures Related To Documenting Selection of Firms Should Be Developed.***

Public Works management has not established a formal written procedure requiring the selection justification to be documented or retained. In addition, Public Works management does not document and retain the justification for selecting engineering consulting firms from the pool. Millions of dollars of project work are being awarded annually to engineering consulting firms under continuing contracts with Public Works.

We selected two pools of Public Works engineering consultants for review, the Construction Engineering & Inspection (CEI) pool and the Professional Services pool. We discussed with Public Works Engineering management whether they document why one firm is selected over another firm for a project. Public Works Engineering management stated they do not document and retain reasons for why a particular engineering firm was selected over others from the pool for a project. Also, they do not document and retain the reasons why a particular engineering firm with less dollars used was not selected for the project. However, management agrees they can perform this procedure going forward.

For the two Public Works pools selected for review, Public Works Engineering management uses checklists to address some steps in the process and has some procedural guidance. Although the checklists and procedural guidance address criteria to be used in selecting a firm for a project, the written procedural guidance does not require documenting and retaining the justification for the firm selected for the project and the firms not selected for the project.

The Purchasing Manual Section 10 contains general procedures for the normal CCNA process to create a qualified list of firms county-wide, identify a short list and ranking of firms for a project (Competitive Selection Procedures) and Competitive Negotiation with a selected firm. Although it lists criteria (paragraph B3 and B.4.B of the Purchasing procedure) from the CCNA statute (F.S. 287.055) to be considered in competitive selection, which are also used in the pool concept of firms (Multiple year/Multiple Work Order Continuing Engineering Consultant Services), the procedure does not address all the detail steps, methodology and criteria used by Public Works management in selecting firms from the pool of consultants.

The lack of documented policies and procedures can result in functions not being consistently performed in compliance with best practices or County objectives. Documenting and retaining justification for awarding project work to engineering consultants helps provide support for compliance with legal requirements on equitable distribution of work among qualified firms and selection of the most highly qualified firms. Documenting and retaining justification for selection of a firm for project work also provides a clearer framework for public accountability.

Written policies and procedures are always considered an important tool used to ensure adequate internal controls. Written procedures:

- Provide guidance necessary to properly and consistently carry out departmental activities at a required level of quality.
- Provide opportunity for management to ensure that adequate processing of internal controls have been established.
- State the level of management review and approval for the various functions to be performed.

It is management's responsibility to establish written internal procedures covering key departmental processes. The procedures should be current and in sufficient detail to provide standard performance criteria and reduce the risk of misunderstanding and/or unauthorized deviations that could cause processing errors. The development of the procedures could prevent the establishment of unnecessary controls or steps that negatively affect productivity. The procedures also support the cross-training and back-up for key staff functions.

**We Recommended Public Works management:**

- A. Establish written procedures for the process of documenting justification of why one firm was selected over other firms from the pool of engineering consultants.
- B. Going forward, document in writing and retain in the applicable project file, a justification for selection of the firm. It should include why one firm is selected over another firm from the pool for a project and reasons why other engineering firms with less dollars used were not selected for the project.
- C. Establish formal written procedures for the process of the detail steps, methodology and criteria used by Public Works Engineering Management in selecting firms from each pool of consultants for project work.

**Status:**

- A. **Implemented.** DEI management established written procedures for the process of documenting justification of why one firm was selected over other firms from the pool of engineering consultants.

- B. **Implemented.** DEI management, going forward, will document in writing and retain in the applicable project file, a justification for selection of the firm.
- C. **Implemented.** DEI management established formal written procedures for the process of the detail steps, methodology and criteria used by Public Works Engineering Management in selecting firms from each pool of consultants for project work.

***B. Procedures For Public Works Management Approval Documentation For Consultant Selection Should Be Improved.***

Public Works management should improve department procedures for engineering consultant selection to address the required format and retention responsibility of the management approval documentation for the selection from the pool.

One of the pools of engineering consultants we reviewed was the Construction Engineering & Inspection (CEI) pool. We discussed with Public Works Engineering management the process for management approval of the CEI consultant selection.

The contracts for the Public Works Construction Engineering & Inspection pool have a term which started on December 16, 2008. We selected two projects from the Purchase Order (PO) Summary report of the Resident Construction Manager (RCM) to determine whether documentation of two levels of management approvals existed for these two projects. Management had indicated in previous discussions that approval of the CEI Selection Committee (comprised of three members of Public Works Engineering management) would be noted on copies of emails from the committee members that the RCM keeps in the project files.

The two projects we selected to review for approvals were:

- (1) PO# 231773 to Consultech for \$294,112
- (2) PO# 229829 to Mactec for \$1,931,838

We met with Public Works management and readily obtained documentation of two levels of management approvals from the CEI Committee for the selection of Consultech. Public Works management was able to provide documentation of management approvals from the CEI Committee for the selection of Mactec, but it was after a couple of weeks from the request and from another division within Public Works (not the RCM). There was uncertainty which member of management retained a copy of the documentation of the management approval for the selection of the consultant. It does not appear that a formal process for retention of approval documentation is working effectively.

In addition, we noted that the Public Works Construction Engineering & Inspection Consultant selection procedure mentions the CEI Selection Committee, but does not address the required format and retention responsibility of the management approval documentation

The existing Public Works Consultant CEI contract written procedure selection process is not clear on the method of documentation for management approval of the consultant selection from the CEI pool or how it is to be retained and by whom. However, it does include some guidance.

It states:

A selection committee is established to review and approve recommendations for CEI consultant assignments by the Resident Construction Manager (RCM).

They should meet monthly or may also convene at their own schedule and email their concurrence of the recommendation to the RCM.

It recommends:

Members of management be on the CEI Selection Committee. Without clear procedures and retention of documentation of two levels of management approvals for the selection, there is limited assurance that the selection process meets management's objectives and intent. Documenting and retaining approvals of two levels of management for selection of a consulting firm for project work also provides a clearer framework for public accountability.

Written policies and procedures are always considered an important tool used to ensure adequate internal controls. A key control that should be included in policies and procedures is the required various levels of management approvals for the various steps of the process. Policies and procedures not only describe what the objectives are, they usually describe in detail how the function should be performed. The lack of sufficiently documented policies and procedures can result in functions not being consistently performed in compliance with best practices or stated objectives.

**We Recommended Public Works management:**

Update and improve the clarity of the written CEI Consultant Selection procedures for the process to include the detail of the steps and forms for Public Works Engineering management to document and retain two levels of management (CEI Committee management) approvals for each selection decision of a consultant from the pool for a project. It should also indicate and clarify which member of management or department should retain the documentation of the approvals for each selection decision.

**Status:**

**Implemented.** DEI management updated and improved the clarity of the written CEI Consultant Selection procedures for the process to include the detail of the steps and forms for Public Works Engineering management to document and retain two levels of management

(CEI Committee management) approvals for each selection decision of a consultant from the pool for a project.

## **2. Utilities Outside Consultant Procedure On Documenting Selection Of Firms Should Be Developed.**

Utilities management:

- Has not established a formal written procedure requiring the selection justification to be documented or retained.
- Does not document and retain the justification for selecting engineering consulting firms from the pool.
- Do not have a written procedure for the methodology and criteria used by Utilities Engineering management in selecting firms from their pool of consultants for project work.

Millions of dollars of project work are being awarded annually to engineering consulting firms under continuing contracts.

We discussed with Utilities Engineering management whether they document why one firm is selected over another firm for a project. Utilities Engineering management stated they do not document and retain reasons for why a particular engineering firm was selected over others from the pool for a project. Also, they do not document and retain the reasons why a particular engineering firm with less dollars used was not selected for the project. However, management agrees they can perform this procedure going forward.

In addition, Utilities management stated they have not developed formal written procedures to address all the detailed steps, methodology and criteria used by Utilities Engineering management in selecting firms from their pool of engineering consultants for project work. The existing Utilities Outside Consultant Coordination procedure lists steps once the firm is selected from the short list or other selection process. However, it does not list the methodology or criteria Utilities management uses to select the firm to award the work/project. The Purchasing Manual Section 10 contains general procedures for the normal CCNA process to create a qualified list of firms County wide, identify a short list and ranking of firms for a project (Competitive Selection Procedures) and Competitive Negotiation with a selected firm. Although it lists criteria (paragraphs B3 and B.4.B of the Purchasing procedure) from the CCNA statute to be considered in competitive selection, which are also used in the pool concept of firms (Multiple year/Multiple Work Order Continuing Engineering Consultant Services), the procedure does not address all the detailed steps, methodology and criteria used by Utilities management in selecting firms from the pool of consultants.

The lack of documented policies and procedures can result in functions not being consistently performed in compliance with best practices or County objectives. Documenting and retaining

justification for awarding project work to engineering consultants helps provide support for compliance with legal requirements on equitable distribution of work among qualified firms and selection of the most highly qualified firms. Documenting and retaining justification for selection of a firm for project work also provides a clearer framework for public accountability.

Written policies and procedures are always considered an important tool used to ensure adequate internal controls. Written procedures:

- Provide guidance necessary to properly and consistently carry out departmental activities at a required level of quality.
- Provide opportunity for management to ensure that adequate processing of internal controls have been established.
- State the level of management review and approval for the various functions to be performed.

It is management's responsibility to establish written internal procedures covering key departmental processes. The procedures should be current and in sufficient detail to provide standard performance criteria and reduce the risk of misunderstanding and/or unauthorized deviations that could cause processing errors. The development of the procedures could prevent the establishment of unnecessary controls or steps that negatively affect productivity. The procedures also support the cross-training and back-up for key staff functions.

**We Recommended Utilities management:**

- A. Establish written procedures for the process of documenting justification of why one firm was selected over other firms from the pool of engineering consultants.
- B. Going forward, document in writing and retain in the applicable project file, a justification for selection of the firm. It should include why one firm is selected over another firm from the pool for a project and reasons why other engineering firms with less dollars used were not selected for the project.
- C. Establish formal written procedures for the process of the detailed steps, methodology and criteria used by Utilities Engineering Management in selecting firms from the pool of consultants for project work.

**Status:**

- A. **Implemented.** DEI management established written procedures for the process of documenting justification of why one firm was selected over other firms from the pool of engineering consultants.
- B. **Implemented.** DEI management, going forward, will document in writing and retain in the applicable project file, a justification for selection of the firm.

- C. **Implemented.** DEI management established formal written procedures for the process of the detailed steps, methodology and criteria used by Utilities Engineering Management in selecting firms from the pool of consultants for project work.



# DIVISION OF INSPECTOR GENERAL

KEN BURKE, CPA

CLERK OF THE CIRCUIT COURT AND COMPTROLLER  
PINELLAS COUNTY, FLORIDA

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