

2. REPORTS TO BE RECEIVED FOR FILING:

- a. Affidavit of Publication of Legal Notice published in the Business Observer regarding Notice of Forfeiture of Unclaimed Money pursuant to Section 116.21, Florida Statutes (Circuit/County Court of the 6th Judicial Circuit - Criminal Division).
- b. Affidavit of Publication of Legal Notice published in the Business Observer regarding Notice of Forfeiture of Unclaimed Money pursuant to Section 116.21, Florida Statutes (Circuit/County Court of the 6th Judicial Circuit - Civil Division).
- c. Division of Inspector General, Audit Services, Clerk of the Circuit Court and Comptroller, Report No. 2013-22 dated August 1, 2013 – Follow-Up Audit of HDR Engineering Services Contract.
- d. Division of Inspector General, Audit Services, Clerk of the Circuit Court and Comptroller, Report No. 2013-23 dated August 8, 2013 – Audit of Pinellas County's Compliance with the Family and Medical Leave Act (FMLA).
- e. Dock Fee Report for the month of July 2013.



## **Ken Burke, CPA**


CLERK OF THE CIRCUIT COURT AND COMPTROLLER  
PINELLAS COUNTY, FLORIDA

Clerk of the County Court  
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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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 HDR Engineering Services Contract

DATE: August 1, 2013

For your review and filing in the Official Records, I am enclosing a copy of the follow-up audit dated August 1, 2013 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  
Jim Bennett, County Attorney  
David Scott, Executive Director, Department of Environment & Infrastructure (DEI)  
Stephen B. Carroll, Finance Division Director 1, DEI  
Bette Ann Williams, Financial & Accounting Analyst, DEI Finance  
Jorge M. Quintas, Director, DEI Engineering and Technical Support  
Jacqueline Trainer, Manager, Office of Management & Budget  
Eric C. Naughton, Director, Office of Management & Budget  
Claretha N. Harris, Chief Deputy Director, Finance Division  
Ernst & Young





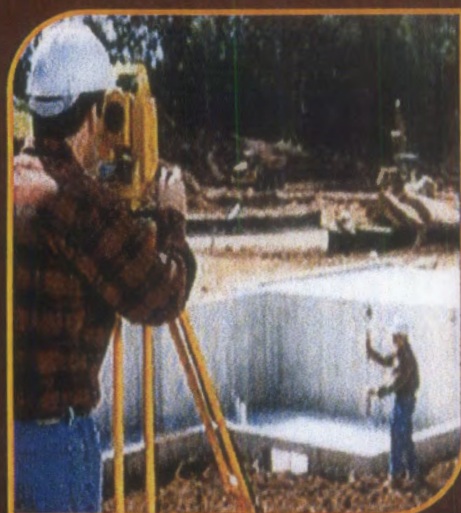


## **DIVISION OF INSPECTOR GENERAL**

**KEN BURKE, CPA**

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

# **FOLLOW-UP AUDIT OF HDR ENGINEERING SERVICES CONTRACT**



**An Accredited Office of  
Inspectors General**

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

**Audit Team**  
**Ken Green, CIGA – Inspector General Manager**  
**Gregory McCullough, CPA, CIA, CFE, CIGA – Inspector General Auditor II**

**AUGUST 1, 2013  
REPORT NO. 2013-22**





## Ken Burke, CPA

CLERK OF THE CIRCUIT COURT AND COMPTROLLER  
PINELLAS COUNTY, FLORIDA

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August 1, 2013

The Honorable Chairman and Members of the Board of County Commissioners

We have conducted a Follow-Up Audit of the HDR Engineering Services Contract. The objectives of our review were to determine the implementation status of our previous recommendations.

Of the 3 recommendations contained in the audit report, we determined that all 3 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 Environment and Infrastructure (DEI) 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 HDR Engineering Services Contract. 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 if contractor invoices submitted for payment were properly approved at the appropriate level of Public Works department management.
- 2) Determine if contractor invoices submitted for payment were billed for contract-approved positions.
- 3) Determine if contractor invoices submitted for payment were billed with contract-approved hourly rates.

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 *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 months of April and May 2013. The original audit period was December 23, 2008 through December 31, 2010. However, transactions and processes reviewed were not limited by the audit period.

## ***Overall Conclusion***

Of the 3 recommendations in the report, we determined that all 3 were implemented. We commend management for implementation of all of our recommendations.



## Status

OFI NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS				
		Implemented	Acceptable Alternative	Partially Implemented	Not Implemented	No Longer Applicable
1	<b><i>Internal Controls Over Processing And Payment Of Contract Invoices Are Weak.</i></b>					
	A. Resolve invoice errors and request reimbursement for overbillings of up to \$4,407.	✓				
	B. 1. Strengthen preventative controls in the invoice review process by reviewing future invoices for this contract for correct rates and position titles and resolving errors on invoices prior to submitting for payment. This would include requesting HDR to reissue invoices with correct rates and titles going forward for any new invoices which do not agree with the contract rate exhibit.	✓				
	C. 2. Establish formal written procedures, beyond the current informal steps, that address review of CEI contract invoices and how to handle invoices that do not comply with contract billing terms prior to submitting for payment. The procedures should be approved by management and dated. Procedures should also include which position performs what task and which position approves tasks and decisions.	✓				



## Background



Pinellas County Public Works' (PW) mission is to serve the citizens and visitors of Pinellas County by providing, implementing, operating and maintaining transportation, surface water, and building programs in a professional manner which supports economic and community growth. The Pinellas County PW department plays a major role in developing and maintaining the county's transportation and surface water management programs. It provides engineering and construction services to other Pinellas County departments (i.e. Parks Department and Community Development).

Public Works maintains a number of 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

One of the pools of contracts used by Public Works is for CEI (Construction Engineering and Inspection) Consultants. For the consultants on this list, Public Works (PW) 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, it is just a "not to exceed" amount for the contract purchase agreement.

The HDR CEI contract in this pool was selected for audit. It was one of eight contracts in this pool. The following information pertains to this contract:

Contract	Term	NTE Amount
HDR CEI Engineering Services	12/16/08 – 12/15/11	\$6,000,000

The contract term is December 16, 2008 to December 15, 2011. The contract states this is a three-year term, unless terminated at an earlier date, or extended by amendment. Further, it



has a three-year option of renewal, subject to written notice of agreement by the County Administrator and Consultant, only if all prices, terms and conditions remain the same. The contract has a not-to-exceed (NTE) amount of \$6,000,000 and the Board of County Commission (BCC) approval is needed to exceed this limit. The general scope of this contract includes a list of services to be furnished by the consultant. This includes not only CEI services, but also other miscellaneous engineering services as directed by the Director of Public Works and Transportation or designee. Although this contract allowed for CEI services, it was primarily used for construction project administration tasks.

# STATUS OF RECOMMENDATIONS

This section reports our follow-up on actions taken by management on the Recommendations for Improvement in our original audit of the HDR Engineering Services Contract. The recommendations contained herein are those of the original audit, followed by the current status of the recommendations.

## **1. Internal Controls Over Processing And Payment Of Contract Invoices Are Weak.**

Internal controls over processing and payment of contract invoices are weak and should be improved. Invoices were processed which did not comply with position titles and rates in the contract. In addition, Public Works (PW) Finance management has not established a formal written procedure approved by management that details the steps for processing invoices for Construction Engineering and Inspection (CEI) and Administration services contracts.

### **A. Invoice Processing Errors**

Invoices for contractors' labor were paid that did not comply with the contract terms for the labor function description and/or the labor hourly rates. Although invoice rate and position title differences were identified by Public Works' staff during the contract period and reviewed for correction, several invoice rates, which did not agree to the contract, still have not been corrected. In addition, HDR contract invoices with position titles and rates that did not agree to the contract had been initially processed for payment before Public Works' management identified that a problem existed.

We reviewed a sample of invoices representing 13% of the population to determine if rates and related position titles billed on invoices agreed to contract rates as listed on the HDR Contract Exhibit A. We also reviewed the invoices to determine if Public Works' approvals on the invoices were proper. We noted 12 invoices (55% of sample) with instances of position title exceptions and five invoices (23% of sample) with instances of rate exceptions when compared to the rate exhibit in the contract. PW management had already identified the issue of rates and/or position titles on invoices not always agreeing to the contract. At that time, they began to perform work to resolve errors and make corrections. After we reviewed these 12 invoices with position title exceptions and five invoices with rate exceptions with Public Works Finance, we noted that three invoices (14% of sample) with rate exceptions still remained uncorrected.

Even though Public Works' staff began to perform work to resolve errors and make corrections, we noted that three invoices with rate exceptions remained uncorrected in the amount of up to \$4,407.



Engineering contract invoices should be approved and paid in compliance with position descriptions and labor hourly rates that represent provisions of the contract. Good internal controls require ensuring invoice position descriptions and rates agree to the contract terms prior to processing for payment.

## **B. Lack of Formal Procedures**

We also determined that documented Public Works' procedures approved by management did not exist that would guide employees in the internal control steps on processing billings for CEI and Administration contract services. Informal procedures for invoice review exist, but were not formally written and approved by management for effectiveness, efficiencies, proper internal control, and updates for changes in the process.

There was a lack of documented policies and procedures, which specified how to review contract invoices for this type of contract, and how to process invoices which do not conform to the contract terms. Existing informal guidelines did not address how to resolve invoices with errors (i.e., send back to the vendor to correct and resubmit, or discuss questions with vendor and have Public Works make manual changes to the invoice). Public Works management did not request contract amendments that might have clarified some questions which may also have caused some of the processing problems.

The lack of formal written procedures approved by PW management regarding contract invoice processing resulted in HDR contract invoices with position titles and rates that did not agree to the contract being processed for payment before Public Works' management identified that a problem might exist. The lack of formal procedures also results in inconsistencies in the invoice review process and increases the likelihood that billing errors will go undetected.

PW management should have a formal, complete written and approved procedure in place for review and approval of CEI and Administration contract invoices. 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 an adequate structure of internal controls has been established for a process to prevent or detect errors timely.
- 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. Resolve invoice errors and request reimbursement for overbillings of up to \$4,407.
- B. 1. Strengthen preventative controls in the invoice review process by reviewing future invoices for this contract for correct rates and position titles and resolving errors on invoices prior to submitting for payment. This would include requesting HDR to reissue invoices with correct rates and titles going forward for any new invoices which do not agree with the contract rate exhibit.
- B. 2. Establish formal written procedures, beyond the current informal steps, that address review of CEI contract invoices and how to handle invoices that do not comply with contract billing terms prior to submitting for payment. The procedures should be approved by management and dated. Procedures should also include which position performs what task and which position approves tasks and decisions.

**Status:**

**A. Implemented.** Management requested reimbursement of the overbilling and provided HDR with supporting documentation. Management and HDR have negotiated an amount of overbilling and management has issued an invoice for the amount to HDR and received payment.

**B.1 Implemented.** Management has established a process to review invoices for correct rates and position titles and resolving errors on invoices prior to submitting for payment. It includes steps to perform when invoice discrepancies are found.

**B.2 Implemented.** Management developed a formal written procedure that addresses review of CEI contract invoices and steps to handle invoices that do not comply with contract billing terms prior to submitting for payment. It also indicates which position is to perform each task.





# DIVISION OF INSPECTOR GENERAL

KEN BURKE, CPA

CLERK OF THE CIRCUIT COURT AND COMPTROLLER  
PINELLAS COUNTY, FLORIDA

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