

SEMINOLE COUNTY
LIMITED REVIEW OF
DCR ENGINEERING SERVICES, INC.
CONTRACT (RFP-600193-07/BJC)

Report No. 021209

February 2009

Prepared by:
Internal Audit Division
Clerk of the Circuit Court



MARYANNE MORSE
Clerk of the Circuit Court
Seminole County

February 12, 2009

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

Dear Mr. Chairman:

Enclosed herewith, please find the Limited Review of DCR Engineering Services, Inc Contract (RFP-600193-07/BJC) conducted by the Clerk's office.

The review revealed conditions that warrant the immediate attention of both management and the Board of County Commissioners.

With warmest personal regards, I am

Most cordially,

Maryanne Morse
Clerk of the Circuit Court

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Internal Audit Division
Clerk of the Circuit Court

**Seminole County
Department of Environmental Services
Construction, Engineering, and Inspection Division**

**Limited Review of
DCR Engineering Services, Inc Contract (RFP-600193-07/BJC)**

The Internal Audit Division of the Office of the Clerk of the Circuit Court has completed a limited review of the contract between Seminole County and DCR Engineering Services, Inc. (RFP-600193-07/BJC). This contract is under the management of the Construction Engineering and Inspection Division of the Environmental Services Department.

PURPOSE

The purpose of the review was to determine if the release orders issued against the contract are in compliance with the terms and conditions of the contract, and with applicable laws, regulations, and other Seminole County policies and procedures. Additionally, it was to determine if invoices were proper and in agreement with the terms of the release orders.

BACKGROUND

In June 2007, the county signed a term contract with DCR Engineering Services, Inc. (DCR) to provide electrical, control, and telemetry systems programming, repairs maintenance, support and calibration services. The agreement is for a 3-year period with a 2-year renewal option. The authorization for services is in the form of release orders.

Per the contract, the scope of the services includes:

1. Construct, furnish, and install all instrumentation and control systems;
2. Provide technical and programming services on existing telemetry systems;
3. Supply electrical construction and maintenance services on existing control, power, and telemetry systems;
4. Provide calibration services; and,
5. Provide telephone support services as required.

<p>Prepared by: Internal Audit Division Clerk of the Circuit Court</p>
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This contract was used to buy lift station control panels and emergency generators; there is no pricing for these items within this contract. On April 15, 2008 Environmental Services Department issued a release order to DCR for \$188,373.00 for control panels and another release order for \$436,385.50 for emergency generators.

SCOPE

The scope included a review of the contract, billings and supporting documentation for the period ending December 31, 2008. All source documents related to the contract were subject to review.

The review included:

- Review of procedures used to ensure compliance with established purchasing policies and procedures, Florida 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, completeness, and timeliness;
- Review of the release order process used by the county to ensure that the awards are fair, consistent, and in compliance with policy;
- Review of the process used by the Environmental Services Department to monitor the firm's billings to the county; and,
- Review of the special terms and conditions contained in the contract.

The review was performed by the Internal Audit Division of the Clerk of the Circuit Court.

OVERALL EVALUATION

This contract is a term contract. According to the County Manager's policy manual, a term contract is used to meet a continuing county requirement. This policy allows for a department (in this case, Environmental Services), to issue release orders against the contract.

There is no pricing of generators or lift control panels in the contract and thus, the contract as written does not cover these items. There is no contract amendment specifically approved by BCC to address the cost of the emergency generators and lift station control panels. This was a one-time purchase of equipment rather than an ongoing county requirement.

If managers have questions about policy, they should seek counsel from the Purchasing Department and/or the County Attorney's Office to make certain that there is compliance with policy.

The following condition warrants management's attention:

- **There is no term contract pricing for lift station control panels and/or emergency generators in the contract.**

The detail to support this finding and recommendations are included in the following report.

FINDING NO. 1

No term contract pricing for lift station control panels and/or emergency generators.

This contract provides for programming, repairing, maintaining, supporting and calibrating the electrical, control and telemetry systems. Services are provided in accordance with the contract fee schedules and work is authorized by the county using release orders. According to the contract, a release order is a purchase order. There are five separate issues with buying the lift station control panels and emergency generators under this term contract:

1. The term contract does not address the county buying emergency generators and lift station control panels from DCR or the associated costs for the purchase, delivery and installation.
2. A division is solely responsible for awarding release orders without the Purchasing Department's involvement or oversight. Thus, division employees act as their own procurement agent and are responsible for understanding and complying with County Manager policy, Administrative Code, and Florida Statutes.

3. Florida Statutes 287.057(1)(a) states “unless otherwise authorized by law, all contracts for the purchase of commodities or contractual services in excess of the threshold amount provided in Florida Statutes 287.017 for Category Two shall be awarded by competitive sealed bid. An invitation to bid shall be made available simultaneously to all vendors and must include a detailed description of the commodities or contractual services sought.” Florida Statute 287.017 defines Category Two as \$25,000.00.

Also, Florida Statutes 255.20 (1) states “a county, municipality, special district as defined in chapter 189, or other political subdivision of the state seeking to construct or improve a public building, structure, or other public construction works must competitively award to an appropriately licensed contractor each project that is estimated in accordance with generally accepted cost-accounting principles to have total construction project costs of more than \$200,000.00. For electrical work, local government must competitively award to an appropriately licensed contractor each project that is estimated in accordance with generally accepted cost-accounting principles to have a cost of more than \$50,000.”

4. This project cost over \$624,000.00 and should have required competitive bidding in accordance with Administrative Code 8.155 (1) which states:

“The procurement of all goods, material, equipment, services, and combination of goods and/or services on behalf of the Board, including those transactions through which the Board shall receive revenue, in an amount equal to or in excess of the mandatory bid amount of FIFTY THOUSAND AND NO/100 DOLLARS (\$50,000.00) shall be competitively awarded based on the submission of sealed bids,.....to ensure a fair and reasonable price.”

5. Seminole County processed release orders in the amount of \$436,385.50 and \$188,373.00. Both Environmental Services staff and DCR agreed to the prices even though it may not have been a properly executed contract. Seminole County agreed to pay DCR the amounts on the release orders.
6. As part of this review, we physically verified that the generators and the lift station control panels were delivered and are in the possession of the county. However, only three lift panels and none of the generators had been installed.

7. The Environmental Services Department obtained three quotes for the generators; however, the quotes were not for the same specifications. Therefore, there were significant price differences between the three quotes.

By not complying with both state and county regulations, the county is subjecting itself to awarding contracts that are not valid.

Recommendation

1. Submit to BCC and County Attorney's Office for resolution.
2. Division employees should cease acting as their own procurement agent and the Purchasing Department should be involved with all procurement decisions to ensure compliance with all local and state requirements.