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Inspector General

OFFICE OF INSPECTOR GENERAL
PALM BEACH COUNTY



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Contract Oversight Report
CA-2019-0050
Palm Beach County
Information Systems Services
Cabling Installation and Repair
Contract Administration Review
September 30, 2019

Insight – Oversight – Foresight



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CONTRACT OVERSIGHT REPORT CA-2019-0050

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PALM BEACH COUNTY - INFORMATION SYSTEMS SERVICES CABLING INSTALLATION AND REPAIR – CONTRACT ADMINISTRATION REVIEW

SUMMARY

WHAT WE DID

The Palm Beach County Office of Inspector General (OIG) conducted a Contract Administration Review of Palm Beach County's Cabling Installation and Repair Contract, Contract Number 17009 (Contract) with Universal Cabling Services, Inc. (Contractor).

Palm Beach County's (County) Information System Services (ISS) serves as the Resource Manager for County departments and primary information technology support for Palm Beach County. ISS used the Contract for installation, integration, maintenance, and support services for Voice Services Systems, the Enterprise Network systems, and general low voltage cabling systems.

The objective of the OIG review was to determine delivery order compliance with the Contract's specifications, to verify Contract deliverables, and to make recommendations and suggestions to help improve the County's contract administration process.

Our review of the Contract focused on a comparison between the Contract

requirements and the administration of selected work and delivery orders. We reviewed delivery orders for the State Attorney's Office, Palm Beach County's Property Appraisers Office, and eight County departments including; Community Services, Court Administration, Facilities Development & Operations, Fire Rescue, Information Systems Services, Library, Parks & Recreation, and Planning, Zoning and Building.

WHAT WE FOUND

We found that ISS's role in ensuring that goods and services provided under this Contract meets established County standards.

Based on the sampled delivery orders reviewed, we found that invoices paid complied with the approved contract rates, and charges for cabling material were paid in accordance with the Contract.

WHAT WE RECOMMEND

The ISS department is properly utilizing contract administration tools and techniques in managing the Contract. Therefore, we have no recommendations.

BACKGROUND

The Contract¹ executed on June 11, 2017 resulted from a competitive solicitation process. The Contract consists of three documents: Invitation to Bid (ITB) 17-009/LC, the Contractor's bid response, and the award letter issued by the County's Purchasing department. The



The Contract began on August 1, 2017 for a one-year term with an estimated dollar value of \$523,660. Though the Contract did not contain a renewal clause, the Board of County Commissioners approved a 12-month extension of the Contact on June 19, 2018, per County Code of Ordinances in Article III, Part A, Section 2-54(b), which states:

Source selection

.....

(b) ...nothing in the foregoing shall prohibit the Board from extending contracts, entered into as a result of a competitive or alternate source selection process, beyond the specified term or renewal period when the Board determines that such an extension of the term or renewal period is beneficial to the interest, health, safety or welfare of the County. However, any such extension of the term or renewal period by the Board shall not exceed twelve (12) months, unless the Director of Purchasing or a Director of a Construction Department, deem said extension to be an emergency as set forth herein below or the Board, upon good cause, deems that the extension provides a cost savings to the County that would not result if an extension were not granted.

The original contract expired by its own terms. The County Commission approved an emergency contract with the Contractor on July 23, 2019 for \$350,000, with the same terms and conditions of the original contract, including the Contractor's rates set forth in its bid. The expiration of the emergency contract is December 31, 2019 or until the date of the award of a new cabling contract, whichever occurs first. The emergency cabling contract was authorized per the County Code of Ordinances in Section 2-54(f)(4), which states:

¹ We reviewed the original contract entered pursuant to a competitive solicitation, the extension of the original contract, and the emergency contract, which incorporated the terms and conditions of the original contract. For the purposes of this report, the term "Contract" shall refer to the contractual relationship between the County and the Contractor for the review period.

(f)(4) Emergency purchases....Emergency purchases in which the County is to expend or to reimburse an amount of two hundred thousand dollars (\$200,000.00) or more per annum shall be approved by the Board.

Processing Work Orders for Cabling Projects

As the Resource Manager for information technology, ISS is responsible for administering the Contract and is the sole authorized user of the Contract. [OIG Exhibit A includes a step by step diagram of this process flow based on information gathered by the OIG during our review.] Whenever a County department or external agency user identifies a cabling need, the ISS liaison for the end user initiates a work order through an internal work order system. The work order is sent to ISS. ISS reviews the work order and the site plans for the applicable building. ISS and the Contractor conduct an on-site survey, which results in the Contractor providing ISS with a proposal, including a cost estimate.

If the cabling requested is for an enterprise infrastructure², ISS pays for the cabling services with general funds, also known as ad valorem tax dollars. When the cabling requested is for a non-enterprise infrastructure, ISS completes a Budget Availability Statement form (BAS) that includes a summary of work to be done and sends the estimated cost to the user department for approval by the department's authorized designee. If and when the user department approves the BAS, the user department sends the signed BAS form to ISS, which authorizes ISS to have the work completed by the Contractor. The user department pays for the work from its budget.

If the Contractor or ISS determines that the cost for the project will exceed the amount approved by the user department on the BAS for a non-enterprise infrastructure, ISS provides the user department the increased cost estimate for approval prior to the work completion. Conversely, ISS - not the user department - approves or disapproves any cost increase estimates for enterprise infrastructure projects because such costs are paid by ISS. ISS's approval or disapproval is not required to be in writing.

For both enterprise infrastructure and non-enterprise infrastructure, ISS issues a delivery order to the Contractor, and the Contractor schedules and completes the work. Once the Contractor completes the work and all required testing protocols, the Contractor submits an invoice with supporting documentation for review and payment. Once ISS reviews the Contractor's documentation, which includes supplier invoices to verify the cost of material, the Contractor's invoice and labor work log of hours worked, the delivery order is modified as approved by the Network Manager. ISS Finance processes the payment and the Clerk and Comptroller issues the payment to the Contractor.

²Enterprise infrastructure is the underlying infrastructure of County owned facilities which generally do not include revenue generating departments and/or divisions within the County. Non-enterprise infrastructure facilities owned and operated by Water Utilities, Airports, and the Building division of Planning, Zoning and Building are not funded by ad valorem funds, therefore those departments require a BAS.

OBSERVATIONS AND ANALYSIS**OIG Analysis of Delivery Orders**

The total value of the delivery orders available for the OIG review period August 1, 2017 to August 15, 2019 was \$779,585. The total value of the 20 sample delivery orders reviewed was \$65,921.

The 20 delivery orders completed by the Contractor included services for the State Attorney's Office and the Property Appraiser; and services completed for eight (8) County departments including: Community Services, Court Administration, Facilities, Development & Operations, Fire Rescue, Information Systems Services, Library, Parks & Recreation, and Planning, Zoning and Building.

To better understand the use of contract services and the administration of the Contract, we interviewed staff from four departments regarding the delivery orders reviewed. These departments included Community Services, Fire Rescue, Parks & Recreation and Planning, Zoning and Building.

The delivery order for Community Services was for office renovations that required cabling installations to expand computer workstations. For Fire Rescue, the delivery order was to install cabling in all fire stations for a system called Fire Vision. Fire Vision is a new electronic bulletin board for fire rescue staff to use as a quick and easy way to read a large wall mounted monitor that provides emergency details and current weather and road conditions. Parks & Recreation needed cabling installed for a new Pulsar Chlorination system for swimming pools at aquatic centers. The cabling installed for the Planning, Zoning and Building delivery order was for specialized ADA accessible phone equipment.



Staff interviewed consistently identified that they used the ISS work order system to request work to be completed. Communication regarding projects also occurred through the integration of the work order system with Microsoft Outlook with automatic emails sent at appropriate steps in the work order process.

A site survey was completed by the Contractor with a representative from ISS present. Sometimes the user department would have a staff person present to ensure accuracy of the desired results of the project. The Fire Rescue and Parks & Recreation staff both explained the process for their departments that authorized the work. Their explanation validates the receipt and approval of the BAS forms that authorized ISS to proceed with issuing a delivery order to the Contractor.

Scheduling Work

Staff from two departments stated they were unaware of when the Contractor would visit the site to complete the work. Planning, Zoning and Building staff emailed their internal department contact to inform them that the Contractor arrived, but that they had not received prior notice as to when the Contractor would come to the site to begin work. The site manager for the Parks and Recreation department North County Aquatic Complex was present the day the Contractor came to install the cabling, but was not aware of the day and time the Contractor would arrive.

ISS explained that a scheduling notice is sent to the person in the department who initiates the work order, but this is not always the person present when the Contractor arrives to perform the work.

ISS has an established process to ensure their customers are aware of scheduling timeframes through an email notification or phone call, and intends to formalize the process with a written procedure so that in the event of staff changes operations can remain consistent.



Site Survey - Property Appraiser’s Office reconfiguration project



Fire Vision Monitor – Fire Rescue Department

Verification of Labor

As a part of this contract administration review, we also completed verification of a sample of delivery orders to determine if they met contract requirements. This included the verification of 20 delivery orders and supporting documentation for compliance with the contract and monitoring of the services provided by the Contractor. It also included an analysis of the labor.

Initially our review of labor consisted of verifying that the invoiced rates matched the agreed contractual hourly rates. [OIG Exhibit B: Trend Analysis of Labor, shows the itemized list of the 20 delivery orders reviewed.] We compared the estimated labor cost to the actual invoiced and paid labor cost for each project. The results, as depicted in Exhibit B, shows that two (2) of the 20 delivery orders exceeded the estimated labor cost. The delivery order for cabling services at Brumbeck Health Care Center estimated labor would be a maximum cost of \$1,298, but \$2,146 was invoiced; 65% higher than the estimate. The delivery orders for removal and relocation of cabling on the 4th floor of the Government Center estimated a maximum cost of \$802 but \$1,546 was invoiced; 93% higher than the estimate.

ISS Senior Manager of Network Services explained that both of the delivery orders that had excess labor costs were funded by ISS and that ISS verbally approved these additional costs. For the Brumbeck Health Care Center, once the Contractor began the cabling installation, ISS was informed by the customer that access to the required areas would be granted on a limited basis, which caused the Contractor to increase the estimate for their labor hours. Multiple trips to the location were required.

For the ISS order, the original cabling estimate from the Contractor was for 16 hours to install approximately 38 new cat 6 cable drops, and to reroute existing fiber optic cables and a fiber optic patch panel. Subsequently, ISS staff decided to complete all of the fiber optic work themselves. However, the installation of the 38 new cat 6 cables required significantly more time due to the routing of new cable runs. This project was funded by ISS, and the increased labor costs were verbally approved by ISS.

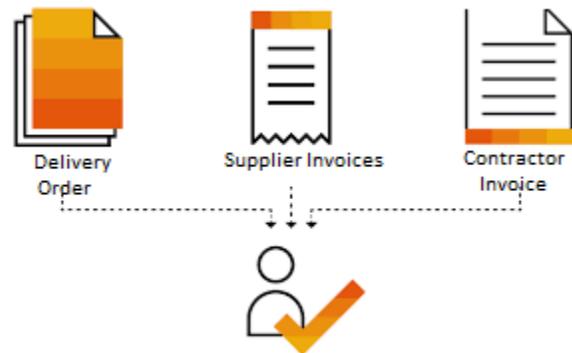
Though justification was provided for the increase in labor hours for these two delivery orders, we suggest that ISS review its process and consider creating a written policy or procedure that implements a written approval process for an increase in the cost of a previously authorized delivery order funded by ISS. The risks associated with not documenting an approval change order process increases the chances of exceeding budget, and potentially paying invoices that were not approved.

Verification of Delivery Orders and Material

The 20 delivery orders selected were reviewed using three-way matching. Three-way matching is a payment verification technique for ensuring that a Contractor's invoice is

valid. When the payables department receives an invoice from a Contractor, it matches the supplier invoice, related purchase order and receiving documentation.³

Our review of the 20 delivery orders verified the accuracy of the hourly rates billed and costs for cabling material and parts used. None of the firm, fixed priced cabling material specified within the original or emergency contract was used. However, the Contract allows for other cabling material not specified within the contract to be used. According to the Contract, the price to be paid for materials sold to Palm Beach County not included in the bid shall be based on the bidder's cost, plus a markup no greater than 10% of the actual materials plus shipping costs.



The Contractor's receiving documentation which includes supplier invoices for material and parts and the Contractor's work log sheets that documents hours worked is submitted with the Contractor's invoice. Of the twenty sample delivery orders reviewed, the hourly rates on the delivery order matched the labor rates listed in the contract. For materials, the proof of purchase made by the Contractor from the supplier which indicates the cost of material and parts were reviewed and verified that the markup did not exceed the allowable 10%.

Conclusion

ISS was compliant with the contract terms and effectively administered the Contract. We found that ISS staff had sophisticated systems implemented to monitor work requested and completed. Though high dollar value contracts can be seen as having a greater opportunity for risk of waste or fraud, ISS ensures their verification process of the invoices and supplier invoices are completed.

Although we found no issues or concerns with the Contract, we believe implementation may be enhanced by 1) formalizing the scheduling process in a written procedure so that the end user knows when to expect the Contractor to provide the requested services and 2) developing a process for ISS to document its approval of increases to the original cost estimate for enterprise projects.

³ Accounting Tools, "Three-way matching," April 17, 2019, <http://www.accountingtools.com/articles/what-is-three-way-matching.html> (accessed August 6, 2019)

LIST OF EXHIBITS

Exhibit A: Process Mapping

Exhibit B: Trend Analysis of Labor

ACKNOWLEDGEMENT

The Inspector General's Contract Oversight staff would like to extend our appreciation to Palm Beach County's ISS Department for the cooperation and courtesies extended to us during the contract oversight process.

This report is available on the OIG website at: <http://www.pbcgov.com/OIG>. Please address inquiries regarding this report to the Director of Contract Oversight & Evaluations by email at inspector@pbcgov.org or by telephone at (561) 233-2350.

EXHIBIT A: PROCESS MAPPING

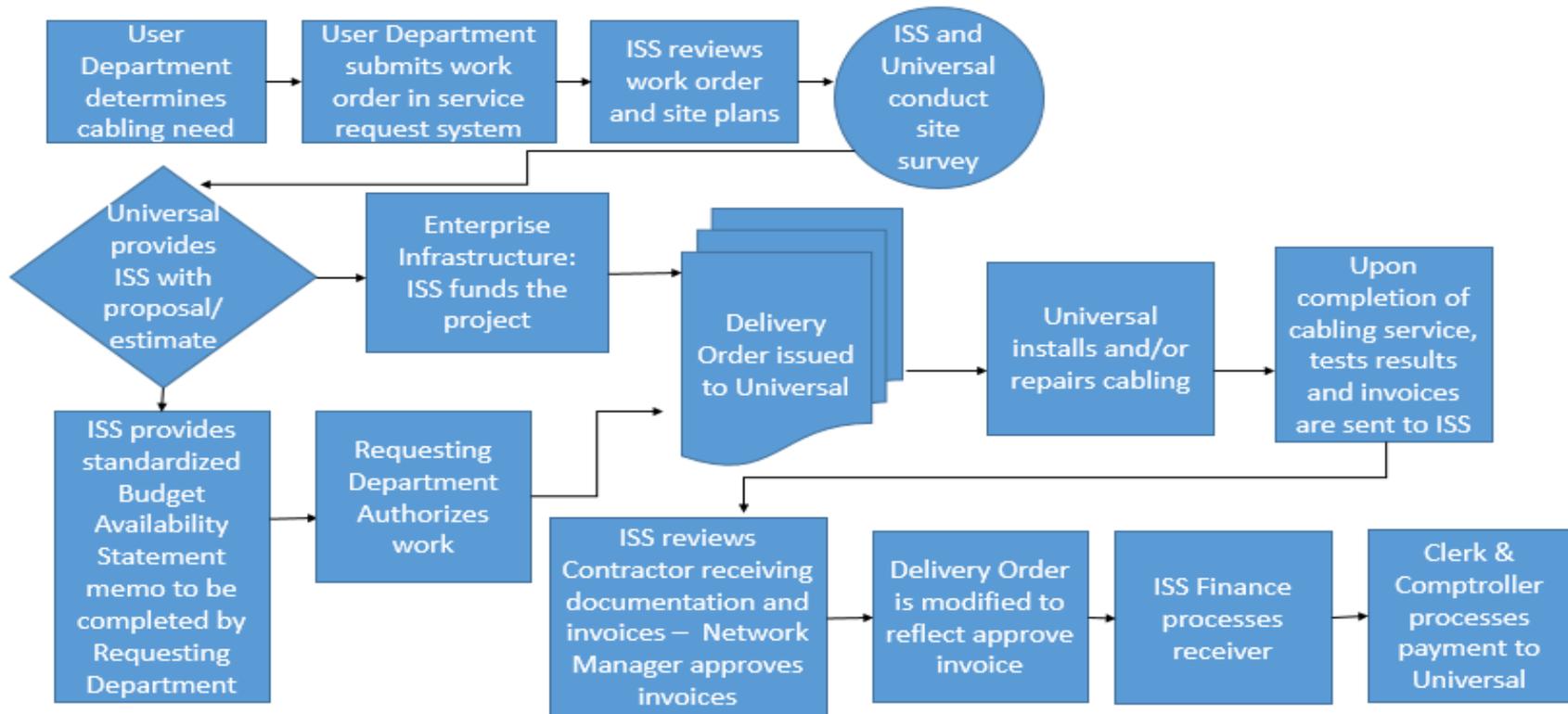


EXHIBIT B: TREND ANALYSIS OF LABOR

PTS Work Order No.	Delivery Order No.	Department Location	Estimate Labor Cost	Actual Labor Cost	Difference (%)
95862	DO 102518*490*82	Summit Library	\$4,860	\$2,466	51%
96502	DO 031219*490*481	N. County Court House Hearing Room	\$1,702	\$1,040	61%
96503	DO 121918*490*242	FDO ESS for JC Courtrooms	\$23,130	\$13,350	58%
97463	DO 121318*490*228	FDO ESS for JC Courtroom 6A	\$1,996	\$1,408	71%
97924	DO 022219*490*381	FDO-Brumbeck Health Care Center; Belle Glade	\$1,298	\$2,146	65%
96900	DO 031219*490*480	Gun Club Jail Facilities Break room	\$624	\$408	65%
96982	DO 020419*490*324	State Attorney's Office	\$1,016	\$970	95%
97386	DO 021219*490*351	Fire Station 34	\$624	\$604	97%
97550	DO 031819*490*488	OSC Traffic Building B	\$456	\$268	59%
97717	DO 030719*490*445	Fire Rescue 32	\$302	\$226	75%
97097	DO 030519*490*392	PBC Fire Rescue Planning & Zoning	\$344	\$182	53%
97718	DO 030719*490*444	Fire Rescue 33	\$302	\$198	66%
97719	DO 030719*490*443	Fire Rescue 34	\$302	\$142	47%
97720	DO 030719*490*442	Fire Rescue 35	\$302	\$198	66%
97721	DO 030719*490*441	Fire Rescue 36	\$302	\$106	35%
95311	DO 112818*490*167	Parks and Recreation	\$568	\$498	88%
91019	DO 030519*490*393	Community Services	\$1,260	\$566	45%
98104	DO 032219*490*509	FDO-ESS	\$390	\$218	56%
97644	DO 020419*490*332	PZ&B	\$456	\$268	59%
99062	DO 040419*490*547	ISS	\$802	\$1,546	93%

Legend

-  ISS Selected 15 Samples
-  5 Random Samples