

*A Review  
of  
Okaloosa County  
Contracts*

*December 1996*

## Preface

The Institute for Senior Professionals (ISP), Okaloosa-Walton Community college, is an organization comprised of talented and experienced retired individuals from business, industry, government, military and academic fields. They are committed to assisting the local community by contributing their professional expertise without compensation, in community and government problem solving, participation in economic development of the college district, and volunteer participation in various educational programs of the college.

The ISP has participated in such projects as educational funding for Okaloosa-Walton Community college, Okaloosa County Government Consolidation and Transportation Study, Okaloosa County Fee Schedule Study, a short- and long-range plan for Okaloosa County facility and office space needs, a management study for the County School System, as well as a management analysis of the County Health Department. ISP has completed management and efficiency studies for the Okaloosa County Chapter of the Salvation Army and for the Okaloosa County Red Cross. It has also developed and implemented an Elderhostel Program and a senior's continuing education program called PRIME TIME.

This report "A Review of Okaloosa County Contracts," was accomplished by the ISP at the request of the Chairman, Board of County Commissioners. It is intended to assist the County Commissioners and the County Manager in improving overall management and efficiency of County operations.

The ISP is pleased to have had this opportunity to serve the citizens of Okaloosa County through the Board of County Commissioners to whom this report is submitted. The ISP expresses sincere thanks and appreciation to the Chairman, Board of County Commissioners, the County Manager, the department directors, and all the many county professional and technical employees and staffs for their friendly and courteous support throughout the duration of this study.

H.D. Harvell  
Chairman

## Contents

Preface	i
Contents	.....ii
Executive Summary	.....iii
Recommendations	.....iv
I.	Introduction.....Page 1
II.	Objectives and Approach.....Page 2
III.	Exclusions .....Page 3
IV.	The Contracting Process .....Page 4
V.	Contractor Selection Audit .....Page 15
VI.	Active Contract Audit.....Page 18
VII.	Leasing Contract Audit - County-Owned Property .....Page 22
VIII.	Contract Monitoring and Administration Audit.....Page 25
IX.	Other Observations .....Page 28
X.	Addendum.....Page 29

## *Executive Summary*

The Board of County Commissioners (Board) requested the Institute for Senior Professionals (ISP) to review contracts and procedures under control of Okaloosa County (County) for compliance and completeness. The ISP was requested to determine if contractors were meeting the desired requirements and standards stipulated by their contracts. Recommendations were also solicited to strengthen procedures to ensure that expenditures of public funds are prudent.

The ISP was given unrestricted access to personnel and data throughout the county and was favorably impressed with the talented, conscientious and cooperative personnel working for the best interest of the county and its citizens.

In the mid 1980's, the County created a centralized Purchasing Department operating to a Board-approved Purchasing Manual. This was a major improvement in that these activities were previously conducted in Board meetings. The Purchasing Manual is an excellent document primarily describing the process leading up through contractor selection. Reference to the post-election phase pertains only to progress payments approved by the County Manager and final payment by the Board of County Commissioners. Leasing of county-owned property is specifically excluded from this process. There is an option reserving authority to appoint the Commissioners as the selection committee for Professional Services contracts. This appears to be in conflict with the stated purpose of the manual which is to keep the selection process free from internal and external pressures.

The ISP met with all departments involved with contracting. Following this, contractual documents were examined in detail, selected from the various phases of the contracting process, i.e. selection, implementation, administration, and compliance. These contracts were for a variety of activities including Professional Services, Construction, Leases, Operations, etc. The system being used, although lacking in formality and specifics in several areas, is working. The experience and dedication of County personnel, together with the oversight provided by the County Manager is responsible for prudent expenditure and control of public funds. There were no significant findings to suggest otherwise.

The ISP made certain findings and recommendations during the course of this study as follows:

iii

∅ Automation of data systems is continuing to expand throughout the County but there remains considerable "green-eye-shade" activity. The ISP could not identify system guidelines describing the hardware and software interfaces needed to enhance intercommunication and sharing of resources throughout the County administration and constitutional officers. Additionally, data system expertise in this discipline appears minimal

and not available to all organizational elements.

∅ Construction of buildings and other like facilities is managed by each department. There is a variety of approaches used and this is particularly true when the department functions do not relate to construction projects. The use of Architect-Engineering (A-E) firms to develop plans, produce the design drawings and specifications, then manage contractor compliance presents an opportunity for abuse.

∅ The position of County Manager and the management structure as shown on the organization chart (Addendum 3) have been effectively established. The ISP found the change to be well accepted throughout the organization and effective in bringing about the integration of the organization. It is difficult to imagine how the system worked effectively in the past. For some undetermined reason, some administrative duties are being performed by the County Attorney. These duties involve leases of county-owned property, and some contracting both by-pass Purchasing. These duties are at odds with his contract.

∅ The Finance Department in the Office of the Clerk of the Courts provides payments and collections services. This is an excellent arrangement and avoids duplicating organization. Payments are made upon approval of the department head and the County Manager, and for final payment by the Board. Lease collections are in accordance with the fees and schedules listed in the lease. In some leases involving services, particularly those on Okaloosa Island, the contract monitor could not be identified. There were indications that some personnel have assumed that Finance is performing this function, which in fact is not the case.

∅ The ISP was pleased to see the activity in the area of Risk Management. This is an important aspect of any business operation. The staff appeared somewhat undermanned. A Risk Assessment Check List is being prepared to provide early identification of risks in the contracting process. This is an important effort that should be expedited.

∅ Contract Administrators are customarily used for maintaining all aspects of contractor performance. The ISP did not find this to be the procedure here for County contractors and leases. There is no central repository of information pertaining to each contract or lease.

∅ The use of Professional Service contracts throughout the County is widespread. The downside of dependency on these services is a reduction in the development of in-house technical expertise. Continued use of the same companies over the years can result in working relationships and dependencies that are less than desirable for a good business relationship. The rapid growth of the County in recent years and the projections for future growth provides an opportunity to reassess professional services versus in-house capability in key areas.

∅ There are some one hundred active leases of County-owned property. The ISP could not identify any written procedures describing the process or plans for the use of County property. There are standard forms prepared by the County Attorney, which are used for leasing

such as hanger space at the Destin and Crestview Airports. The documentation leading up to signing a lease was not available for review. The actual leases audited did not reveal any irregularities.

∅ There is a lack of local competition for many County contracts. It is not clear why this situation exists; however, this input was received in several of the departments.

∅ The ISP was favorably impressed by the effort underway in the Geographic Information Service (GIS) Department, and the technical capability of the organization. The County should inform the public of this effort and the benefits which will accrue upon completion.

∅ There were several recommendations received from County staff regarding the desirability of contingency plans for emergencies.

### ***Recommendations***

This section contains the major recommendations. Some additional and minor ones can be found in the body of this report.

- 1.) Develop a County Operations and Procedures Manual to consolidate all policies, procedures, and designation of authority describing the entire contracting process: initiating, soliciting bids, contractor selection, numbering, implementation, monitoring, compliance, and close-out of:
  - (a) Contracts
  - (b) Leasing County-owned property
- 2.) Establish overall objectives, both near- and long-term plans for the use of County-owned property. Assign the County Manager responsibility for implementation, including the leasing thereof, with the Board retaining oversight and approval authority.
- 3.) Develop a county-wide "Standards for Computers and Software" to enhance intercommunications and sharing of resources for use throughout the County including all constitutional officers.
- 4.) Establish a climate and program to create and stimulate local competition for County business.

- 5.) Eliminate the option permitting County Commissioners to appoint themselves as the Selection Committee involving contracts for professional services. Retain oversight and approval authority.
- 6.) Centralize the responsibility for construction of buildings. Each department should retain responsibility for establishing the requirement and operational aspects but not the design and construction.
- 7.) The current practice of using A-E firms to develop the requirements, perform the design, then monitor and verify contractor compliance is a process subject to abuse. ISP recommends increasing the technical expertise within the county available to all departments either through additional personnel or professional services contracts.
- 8.) Evaluate establishing contingency contracts for repairs necessary to restore basic services damaged by major disasters.

iv

- 9.) Establish a policy that for every contract and lease awarded, a "contract administrator" be designated. This could be the department head, or department sub-head, but one person should be held responsible for all aspects of contractor performance and payment.
- 10.) Perform a study of future needs (5 to 10 years) for A-E consulting services to determine if permanent staff increases in lieu of use of some consultant personnel may be cost effective. It is possible that a nominal increase in the departmental engineering staff might be effective at a certain level of effort over the long haul.
- 11.) Establish a document control numbering system for all contracts and leases.
- 12.) All contracts should follow the same procedures as set forth in the Purchasing Manual. Either this, or "Contract/Agreement" between commissioners and the attorney be rewritten to authorize the attorney to issue contracts.
- 13.) Risk Assessment check list being prepared by Risk Management be expedited to ensure the County is not exposed to undue risks.
- 14.) That the County tighten up and formalize the procedures for administration and monitoring performance of A-E consulting services contractors and construction contractors. These procedures should specifically set forth accountability and reporting responsibility under the established county management structure, from notification to proceed to contract completion and close-out.

## I. Introduction

In a letter dated February 27, 1996, Mr. Nick Nicholson, Chairman, Okaloosa County Board of Commissioners, requested the Institute for Senior Professionals (ISP) of Okaloosa-Walton Community College, review contracts under the control of Okaloosa County for compliance and completeness. (Addendum 1) The objective of this review was to ensure contractors are meeting desired requirements and standards as stipulated by their contracts as well as the frequency of contract renewals. Recommendations were also solicited to strengthen procedures to ensure expenditures of public funds are prudent.

ISP accepted this challenge and proceeded by selecting members of the organization with appropriate expertise and experience to form a Task Force to conduct the review. (Addendum 2)

Okaloosa County executes a wide variety of contracts in support of the many departments providing services to the citizens. Although the Public Works, Water and Sewer, and Airports Departments require the majority of contracts, there are significant contracts required by the other departments.

In the mid 1980's, the County established a Purchasing Department. In a more recent change, the County established the position of County Manager. The Purchasing Department centralizes contractor selection and the County Manager centralizes County administration.

The ISP requested unrestricted access to personnel and data throughout the county for discussions and review. In a letter dated April 15, 1996, the authorization of this access was communicated to all county departments. (Addendum 3)

The ISP conducted interviews with all departments involved with contracting and/or leasing. Examination of selected contracts and leases were then conducted to ascertain compliance with procedures and good business practice. Subsequent pages in this report pertain to these activities.



## II. Objectives and Approach

### A. Objectives

1. Determine the degree to which county contractors comply with the requirements and standards of their contracts.
2. Assess the adequacy of the contracting process to ensure the expenditure of public fu

### B. Approach

1. Conduct interviews with county organizations involved with contracting. Assess the role of and the procedures used by that organization. Obtain copies of pertinent documents for further analysis.
2. Solicit suggestions to improve the process.
3. Audit sufficient contracts and leases to establish compliance probability.
4. Select contracts in various stages of the process, namely: selection of the contractor; active contracts; leases; administration and contract compliance.

## III. Exclusions

- A. The ISP did not audit grants received by the County. This special area is highly regulated and corrective action programs are in place to correct findings listed in the 1995 Comprehensive Annual Financial Report.
  
- B. The ISP did not audit the activities of constitutional officers of Okaloosa County. These include: Property Appraiser, Tax Collector, Clerk of Courts, Sheriff, and Supervisor of Elections.

#### IV. The Contracting Process

Members of the ISP Task Force were selected for their background in management of large, complex business operations. The Task Force includes members with executive officer, project and operations management, corporate financial officer, insurance and risk management experience. This report, therefore, represents a review of County operations from a private business perspective.

In reviewing the process for contracting within the County, the ISP proceeded to obtain an understanding of the organization, the procedures used, and the role of the principals in the process.

The County is a large business with an annual budget for 1996-97 of more than \$135 million. A wide variety of services are provided for the citizens from water and sewer to roads, airports, and emergency medical. All of these services require contracting of some form.

#### A. Understanding the Task

The ISP met with the Chairman of the Board of Commissioners and the County Manager to review the task, the proposed approach, and the estimated timing to complete. At that time, there had been some concern expressed with how some contracts were awarded. Additionally, there are contracts combining services with commercial interests wherein the county may not be receiving the full services desired. Some professional services and repetitive contracts appear to lack control and adequate benefit to the county.

It was agreed that the ISP would have full access to information and personnel involved with contracting in the County. The County Manager issued a letter dated April 15, 1996 to all departments to this effect. (Addendum 3) The ISP then proceeded to meet with each of the departments to review their role in the contracting process.

#### B. Finance Department Review

Collection and payments are handled by the Director of Finance within the Office of the Clerk of Courts. Utilization of this centralized function avoids the necessity of duplicating financial services within the Board of Commissioners direct line of authority.

The Finance organization maintains an active file of contracts, leases, and grants. Requests for payment are received from the County Manager for progress payments and, in the case of final payment, from the Board of Commissioners. Lease contract receipts are collected to the amount and timing specified.

A copy of the Okaloosa County Comprehensive Annual Financial Report was obtained. A review of the document did not reveal any negative findings in contracting. The process involving grants however was cited and a program for improvement described. The Task Force did not audit grants.

#### C. Purchasing Department Review

The Purchasing Department was established in 1985 by the Board of County Commissioners to reduce the cost of county operations. The functions and operations of this department and its relationship to other county departments are specified in a Purchasing

Manual. A copy was provided for review, the latest revision being November 15, 1994.

The Purchasing Manual is, with few minor exceptions, an excellent document. It addresses the duties of the Purchasing Department, namely:

- ∅ Prepares the bid package
- ∅ Assures bonding and insurance
- ∅ Advertising
- ∅ Provides list of qualified bidders
- ∅ Orchestrates public bid opening
- ∅ Presents recommended selection to the board for approval
- ∅ Distributes final/approved copies

Purchasing personnel operate to a strict code of conduct. The Purchasing Manual stipulates:

- ∅ Contracts over \$10,000 require board approval before initiation of the
- ∅ Contracts over \$5,000 but less than \$10,000 require County Manager's
- ∅ Contracts up to \$5,000 require department head and purchasing
- ∅ County Manager can approve change orders up to \$5,000. The board

The limit values and approval controls are consistent with good procurement practices.

The process for initiation of a contract seems to be working. The need is established by the various departments based upon plans and budgets approved by the Board of Commissioners in the annual process. Any special requirements and/or specifications are provided by the respective departments. The Purchasing Department assembles the bid package with other input from Finance, Risk Management, the County Attorney, etc. Bid openings are conducted in public and the recommended winner is selected by a selection committee comprised of department heads involved.

The Purchasing Manual specifically excludes Leasing of County-owned property from any involvement by this process. There are some contracts handled by the County Attorney that do not use the services of Purchasing.

The ISP is aware that prior to establishing the Purchasing Department, the Board of County Commissioners utilized contracted consultants to handle bids and contract implementation. Board meetings were obviously consumed by reviewing and approving all details of contracts. The Purchasing Department and the approved Purchasing Manual provides this function outside Board meetings with oversight and approval remaining with the Board. The ISP is puzzled by one exception to this, noted on pages 27 & 28, entitled "Professional Services."

The Board has reserved the option of appointing themselves as the selection committee to review proposals and prioritize the contending firms. The concern is that the commissioners are

elected officials with political pressures. These political pressures should never be a factor in any fair and competitive contract selection.

#### D. Water and Sewer Department Review

The Water and Sewer Department is an Enterprise Fund with an operating budget of some \$35 million annually. Responsibilities include providing water and sewer service to county residents and businesses, plus caretaker responsibility for landfill, excluding solid waste.

An A-E firm is utilized for studies and design of the various water and sewer systems. This firm's contract includes the option to be utilized to perform construction management.

Construction and maintenance work is contracted and processed through Purchasing. The operating department is responsible for establishing the need, specifications, and participation on the selection committee. Although there are no written procedures for contract monitoring and compliance within Water and Sewer, the system is working satisfactorily.

It was noted that the same A-E firm has provided services to this department exclusively for the past 25 plus years. With the "corporate knowledge" possessed by the firm, it would be difficult for competitors to compete. However, there was no evidence of poor performance by the A-E firm, Polyengineering of Dothan, Alabama.

The ISP believes the county should look at ways to ensure adequate data available to competitors for a meaningful competition. While the data base, engineering studies and all information regarding existing water and sewer systems currently in the custody of the A-E consultant are the property of Okaloosa County, there are questions about how much of this information is truly in the hands of the Water and Sewer Department, so that the County has full knowledge of the systems, the operation, and maintenance for which it is responsible. Additionally, it would seem that this information should be made available by the County to prospective bidders on these services when the current contract is up for renewal. ISP believes a review of this observation is in order.

The utilization of the design firm to also provide construction management presents an opportunity for abuse although, again, there is no evidence of this occurring.

There is concern that there is a lack of local qualified contractors for performance of construction work for sewer and water systems. The county needs to review this situation and determine what options are available to create competition.

#### E. Airports Department Review

Operation of county airports is the responsibility of the Airports Department. This is an Enterprise Fund with many procedures dictated by the FAA and the Department of Transportation. Funding for this operation is approximately 90 percent FAA, 5 percent Florida Department of Transportation, and 5 percent county (financed by leases).

Contracting follows a 5-year Work Program approved by MPO, FDOT, and FAA. There are several improvements in progress at all three airports. The process is in accordance with FAA guidelines starting with a competition for engineering services. A recent competition resulted in a change in the firm providing the services.

The A-E consulting firm is responsible for the job, not the construction contracts. The contractors are selected utilizing the county purchasing system. The A-E consulting firm, however, is the Engineer of Record for the project.

Additional duties of the Airports Department is the leasing of operations for:

- ∅ car rental
- ∅ airline space
- ∅ restaurants
- ∅ advertising space
- ∅ main base operators at Crestview and Destin
- ∅ hangers
- ∅ parking

The ISP found the leases to be in good order. A compliance monitor was noted on each lease. Integration with Finance on collection of lease fees was evident. Relative to construction contracts, it was apparent that the organization was limited in technical expertise in this discipline and manpower to effectively monitor these projects for compliance.

The ISP suggests that this problem be addressed by the Board in that it has been identified in other departments as well.

#### F. Public Works Department Review

This department is responsible for some 300 miles of paved road and 250 miles of dirt roads throughout the county. In addition to this primary task, Public Works also reviews all county development plans for compliance with land development codes, manages the landfill for solid waste disposal, and the maintenance of buildings, facilities, and parks.

An engineering staff of some 25 personnel provides technical services for this operation as well as some construction management and consultation to other departments.

The services of a consulting firm is contracted. The same firm has provided this service for the past 15 years. They are the Engineer of Record for major projects.

Primary funding for Okaloosa County road work is provided by taxes on gasoline. Currently, a constitutional two percent (2%) tax provides approximately \$1 million annually. Approximately one-fourth of these funds are currently budgeted for resurfacing County roads. A one percent (1%) local option gas tax provides approximately \$.5 million annually.

By state law, professional services and construction work financed by the constitutional tax must be bid. An A-E consulting firm (currently Southeastern Environmental Engineering Company) contracts with the County for the engineering design and construction supervisory services required for projects financed by the constitutional tax. Southeastern Environmental Engineering has held this contract for fifteen years.

For road projects financed by the local option gas tax, the Public Works Department has the option to perform the road design in-house, or to accept bids from other qualified A-E firms. Construction work may be performed by the County Road Department, or bid. ISP reviewed contracts for several recently-completed projects, which demonstrated appropriate evaluation and utilization of these options.

The Public Works Department requests annual bids for the supply of asphalt for the budgeted road projects. While there is a dearth of local suppliers, the County seems to be getting realistic competitive prices from its current supplier, Okaloosa Asphalt, Inc. For road projects which are bid, the bid prices include materials, including asphalt. While there is no evidence of abuse, ISP is concerned about the apparent lack of competition in this area.

Technical specifications for the design and construction of Okaloosa County roads are set forth in Florida Department of Transportation (FDOT) standards including the Manual of Uniform Minimum Standards for Design, Construction, and Maintenance for Streets and Highways. All contracts reviewed reference appropriate standards.

Responding to a question as to how the operation could be improved, it was suggested that consideration be given to establishing annual emergency contingency contracts for basic services to cope with storms. The ISP believes this suggestion has merit and deserves consideration by the Board.

#### G. Corrections Department Review

The Corrections Department is responsible for the containment and welfare of county offenders. This is a large operation involving not only the security concerns, but the housing, feeding, medical and dental needs of the prisoners.

A review of a recently completed \$10 million expansion of the facility in Crestview identified the use of a Construction Management firm in addition to an A-E contractor. Construction contracts were processed through Purchasing; however, the Construction Management firm permitted Corrections personnel to concentrate on the function and operation aspects of this addition. The project was completed on time, under budget and with very satisfactory physical and functional results.

Other important contracts initiated by Corrections are for dental and medical services.

#### H. Risk Management Department Review

This important organization which has experienced growing pains in the past is currently functioning with improved efficiency to review all contracts for risk. In the review process, they interface most frequently with the County Attorney and Purchasing, the objective being to reduce overall risks to the county.

It appears to the ISP that staffing of Risk Management needs to be reviewed in terms of the work load. It is not clear why lease contracts are not subject to risk review, but they are not. This procedure should also bear review.

Effort is underway to develop a "check list for risk" which in use will assist in early identification of risks. The ISP endorses this effort and suggests that it be expedited.

#### I. Tourist Development Council Review

The Tourist Development Council is also an Enterprise Fund. Responsibilities include beach cleaning, construction of dune walkovers, advertising and tourist promotion. These efforts are contracted utilizing Purchasing.

The ISP was pleased to be provided with an Operating and Procedures Manual. There is a section pertaining to contracting defining the duties and responsibilities. These procedures interface with the Purchasing Manual and notably continue through the active and compliance phases. This was the only such procedure identified in all of the review sessions. The ISP recommends that other departments prepare and use such a document together with personnel training.

There are several contracts not only in this department, but in others as well which require periodic renewal. No overall statusing of contracts exists within the County to provide an alert system to trigger the process. The result is last minute rush actions required to achieve a contract without interrupting service.

Timely distribution of fully approved contracts with all changes and signatures is important. This has been identified as a problem in several instances.

#### J. Emergency Medical Services (EMS) Department Review

The EMS is a complex operation responsible for the 911 System, Life Saving Services, and Disaster Coordination. The scope of these services would technically challenge any organization. For instance:

- ∅ The 911 System involves public contact identification of problem/location,
- ∅ The Life Saving Services include ambulances, medical teams, and

dispatch



emergency room services.

∅ Disaster Coordination involves planning, communication, evacuation, command and control.

The ISP observed that EMS is staffed primarily with personnel devoted to saving lives. This is extremely desirable for the services they provide and the county is fortunate to have this experienced and capable organization.

There is, however, limited expertise in the many complicated technical aspects of the systems. This situation is further complicated by the absence of a County set of Standards for Computers and Software, and the absence of technical expertise in overall data systems integration. Any County-wide data system should encompass all constitutional officers.

The ISP questioned Lifeguard Services on county beaches. These are contracted by other than EMS; however there is concern for lifeguard certification, degree of coverage when combined with commercial duties, and the authority of lifeguards to control

swimmers when surf conditions warrant. The county needs to review this situation as to the quality of service and the risks to the county.

#### K. County Attorney Review

The County Attorney is retained by contract and, the incumbent has held this position for the past 25 years. He is responsible to the Board of Commissioners to attend all Board and committee meetings, draft and review contracts and provide legal advice. The contract is open-ended, but can be terminated by either party upon giving 90 days written notice. Compensation or retainer is adjusted annual by majority vote of the Board. The intent of this contract is for legal services only, not administration or management duties.

The County Attorney's role in contracting is extensive. It includes:

∅ Preparation of "Standard Forms" for contracting and leasing County-  
"Standard Forms" to be used extensively throughout the County Departments.

∅ Reviews all contracts for compliance with county, state, and federal

∅ Handling of leases, property sales, and special contracts such as waste

It is obvious that the County Attorney by his tenure and expertise is an integral part of the process. He has many other duties other than those involved with contracting.

The ISP has a concern with two areas that are worthy of Board consideration.

(1) Leases of County-owned property are Board approved, but are handled  
could not identify specifically who was monitoring compliance with the  
requirements to maintain improvements and upkeep of grounds and facilities  
being leased.

- (2) The use of the County Attorney to perform administrative functions

#### L. County Public Health Unit (CPHU) Review

The CPHU for all essential purposes is an arm of the State Health Unit. The County does provide some 8 percent of the operating budget together with a list of specific programs. These programs include rabies, sanitary nuisance, water testing, etc. Otherwise the CPHU operates to State Rules, Chapter 154.

The CPHU has a Capital Improvement Program involving a \$1 million addition to the Crestview Facility. An A-E firm has been contracted for design with construction management provided by personnel from Public Works. Construction contracts are processed through Purchasing. There have been some problems associated with this project and it is not clear as to the cause. It is suggested that department managers review this project to define cause and corrective actions.

The CPHU submits quarterly reports to the Board and State Health Unit. These reports include financial data on all activities, including variance reports. Meetings are held annually with each County Commissioner to further enhance communications.

#### M. Geographic Information Services (GIS) Review

A most interesting session was held with GIS. This organization was established some six years ago to provide physical location data for the county and all constitutional officers. The effort is being accomplished in phases, each representing a portion of the county, by aerial mapping and data digitizing. The work being accomplished is impressive, not only in the accuracy being achieved, but the many uses through the county of the digitized data. The ISP was also impressed by the capability of the small staff in that 50 percent of the full time employees have degrees in Computer Systems Engineering.

An active contract for all aerial mapping phases is in place. GIS personnel prepared the specifications and utilized Purchasing for the selection process.

Responding to questions regarding County-wide standards for data systems, ISP was made aware of a Computer Users Committee for the county and constitutional officers. This committee can/has appointed Technical Committees to address specific tasks as assigned. In fact, it was such a Technical Committee recommendation that resulted in GIS being formed.

It would appear that a task to be addressed would be development of standards for County-wide hardware and software. These are needed for newly elected officers, new department heads, word processing software, and communications protocol.

## V. Contractor Selection Audit

The next phase of the audit was to examine a number of contracts from the files located in the Purchasing Department.

There are about 50 competitively bid contracts let each year, spaced throughout the year. ISP took a random start in the population of contracts let during the three most recent years. The sample taken, 18 in number, represents approximately 12 percent of the contracts let during the audit period. According to calculations, this sample size gives more than a 90 percent probability that the sample results represent the results of the entire population.

The makeup of the contracts was as follows: seven were from the Water and Sewer Department; six were from Public Works; two were from the Road Department; two were

construction contracts and one was a vehicles purchase under a Section 9 Grant. The cost of the contracts varied from \$20,600 to \$1,550,519 and averaged \$362,727.

At the end of this report there are a few specifics on this audit sample taken of the contracts. As a general comment, it can be said that the written procedures were complied with except for one item, the Pre-Bidders Conference. These conferences were rarely, if ever, held. In addition, it can be said that the provisions of the manual fall short in two areas.

One is by way of contract administration. There is no provision for a contract administrator to follow all of the projects from project inception to contract completion, including final payment. Specifically, it is not apparent that any employee could give a daily status report on any of the efforts under contract. In so far as ISP could tell, very fine people are employed by the county, so it does not appear to be lack of ability. It is simply that no one is tasked with this responsibility.

The second item is simple but important. Contract procedures do not require that any sequential numbering system be used to account for the contracts in being. Without some numbering system that applies to all contracts, including the leases and grants, it is nearly impossible to ensure that all contracts are accounted for. It is a question of "completeness" in accounting and it is of interest to note that one of the items asked of the ISP to perform was to account for contract completeness. Without a numbering system of some kind, there is nothing to show the totality of the contracting effort, so ISP could not perform this task.

Additionally, a more systemized filing system and a current file cover sheet would provide ready reference to the status of each contract. A notice of final payment should also be included in the original contract file to close out the effort.

All of these items should be brought to the attention of the Board, as rectifying them would improve contract accounting and administration.

## VI. Active Contract Audit

The third phase of the ISP audit focused on active contracts in various stages of completion. There is no central file which contains all the information pertaining to contracts. Files located in Purchasing become inactive at the time the selection process is completed. Files retained by the Finance Department are considered active and are monitored by Finance for payments and collections. A listing of current active contracts was requested by ISP and is presented at the end of this section of the report.

The Finance Department makes payments on receipt of a payment approval form signed by the County Manager. A copy of this form is presented at the end of this section. Final payment is made when the Board, after reviewing all the data of actual versus contract requirements, provides approval.

Several contracts were examined. All were complete with signed documents, estimated completion dates, bond information, insurance, etc. Depending on the complexity of the task, some contracts were quite extensive regarding such things as safety practices, etc. There are no hard copy payment records in the files. These data are available, however, in the data processing system.

The review of active contracts did not reveal any problems. Compliance with physical and technical terms of the contract are totally dependent on the Departments and the County Manager as evidenced by the payment approval forms.

## VII Leasing Contract Audit - County-Owned Property

There are currently some 100 leases for property owned by the county. Attempting to identify the process, the ISP found that the County Attorney, acting for the Board of County Commissioners, plays a key role. For instance, leases for hanger space at the Destin and Crestview Airports conform to a standard format prepared by the County Attorney. The attorney personally handles leases such as beach cleaning, fishing piers, golf courses, etc.

There are two categories of leases. One is the leasing of property to be used by the County. The procedures for these leases are contained in the Purchasing Manual and processed accordingly. The other category is leasing of County-owned property. They do not go through the Purchasing Department. In fact, the Purchasing Manual specifically excludes Purchasing from this leasing process. No rationale for the exclusion was found, however, some aspects of leasing County-owned property are unique. For example, lease improvements become county property at the end of the lease period. Other leases combine commercial activities with services to be provided for the benefit of the county. And finally, leases are usually for long periods of time (15-25 years) to permit reasonable amortization of investments.

The ISP could not identify any written procedure to describe the process for leasing. It would seem to be reasonable now that there is a County Manager that the leasing activities be formalized and conducted within his organization.

There are two files of active leases. A complete file is maintained in the Finance Department. These are monitored for financial aspects only, i.e. collection of fees due the county, insurance coverage, etc. This department does not make inspections of the leased property to ascertain compliance with conditions of the property or services required to be performed. Additionally, there are no persons listed for performing these inspections in the documentation.

A file of active leases pertaining to airports is maintained by the Airport Department.

These leases include hanger space, car rental, and restaurants, etc. The on-site monitoring of these leases is performed by airport personnel and the responsible individual identified. It was also indicated that Purchasing services are used to identify qualified bidders and advertising.

In none of the files audited was there any information pertaining to the process leading up to selection. Without such information, the ISP could not assess the adequacy or even the existence of competition.

Eighteen leases were examined. All were in good order containing documentation with proper approvals. It was noted that provisions for inflation adjustments were not contained in older leases, however, this has been corrected. Several leases have been assigned to a second party as permitted by language in the lease. Although this latitude is necessary in long-time leases, it does present the opportunity to abuse. A listing of the leases examined can be found at the end of this section of the report.

In summary, no significant problems were found with the leases examined. It is suggested that the board review the following suggestions for improvement:

- (1) Formalize the leasing process and assign responsibility to the County
- (2) Develop a procedure similar to the Purchasing Manual except extend
- (3) Files should be available containing all information pertaining to the
- (4) Designate a compliance monitor for all leases.

Leases are a valuable resource of the county. It is important that the process of leasing be formalized and open to all qualified competitors.

Leases Audited - County-Owned Property

	<u>Type</u>	<u>Location</u>	<u>Leased To</u>
*1	Hanger	Destin Airport	Lloyd Blue, Jr.
*2	Hanger	Destin Airport	Emerald Aviation

*3	Hanger	Destin Airport	Robert Lee
4	Hanger	Destin Airport	International Investments of Florida
*5	Hanger	Destin Airport	Bobby Webb
6	Hanger	Crestview Airport	Crearea
	(Note: this lease will be terminated unless payment received)		
7	Hanger	Crestview Airport	Hollingsworth
8	Hanger	Crestview Airport	Cargo and Associates, Inc.
9	Hanger	Crestview Airport	Nugget Oil, Inc.
10	Hanger	Crestview Airport	Scott
11	Hanger	Crestview Airport	Buildings and Churches
*12	FBP	Crestview Airport	Sunshine Aero, Inc.
*13	Amusement Park	Okaloosa Island	Raceway Park, Inc.
	(Note: This lease has been terminated and property being considered for other uses)		
14	Fred Tolber Park	Okaloosa Island	Paradise Parks, Inc.
15	James Lee Park	Destin	Emerald Coast Beach Management
16	Golf Center	Okaloosa Island	Island Golf Center
17	Right-of-Way	Crestview	Crestview Aerospace Corporation (Note: This old Fairchild property adjoins the Crestview Airport and is connected by two taxi ways)
18	FBO	Destin Airport	Cavok, Inc.

\* Denotes lease has been assigned to a second party

### VIII Contract Monitoring and Administration Audit

The ISP could not identify any procedure covering this phase of contracting. The Okaloosa County Purchasing Manual establishes the procedure for selection of firms to provide professional architect-engineering services to the County. It does not establish the procedures for monitoring and administration of the contracts once they are awarded. Additionally, it does not establish the procedures for selection of contractors to perform construction work, nor for monitoring and administration of contracts post-award to completion.



While there are no formalized written procedures setting forth the process and objectives of monitoring performance and periodic (monthly or quarterly) reporting or progress of either A-E consultants or construction contractors performing work for the County, department heads recognize this important aspect of contract administration. ISP believes that documented standardized procedures could greatly enhance the efficiency and effectiveness of these important functions in all County operations.

#### A. Contracts for Architect-Engineering (A-E) Services

Spot checks indicated that the procedure for selection of A-E consultants is clearly understood and followed by the various operating departments, although there is considerable variance in the methodologies used in establishing terms of compensation, such as the use of cost reimbursable terms, with variable types of mark-ups; cost of construction as a basis for design fees; design fees as a basis for project management fees, etc. There is also a considerable variation in the methodology in establishing the basic unit for direct labor billing in the various professional services contract.

Except in the case of major building projects, the basic A-E services provided to the county cover essentially the same engineering, design and construction skills for the three major departments which rely heavily on the use of A-E consultants. ISP believes that a more uniform approach, county department wide, would enhance the efficiency of the entire process. The procedure which was established within the last few years for Contract Progress Payments does seem to be followed very well across the board.

Aside from the procedure for invoice approval and payment, no other documentation of requirements for monitoring and administration of consultant contracts was found. Securing compliance with contractual schedules and assuring that the quality and quantity of services fulfill contractual requirements demands such monitoring.

To effect a spot check of this aspect of contracting by Okaloosa County, ISP inspected the current consultant contracts of the Public Works, Water & Sewer, and the Airports Departments. In all three cases, the departments rely heavily and depend on their A-E consultants. It appears that with the long-term relationships with the same consultant (over 30 years in the case of PolyEngineering with Water & Sewer, and over 15 years for Southeastern Environmental Engineering with Public Works) there is a tendency to treat the A-E consultant and employees as "their own people." There appears to be no formal checking of the billings for services, nor are the billings certified by the consultant. ISP saw no improprieties, however, in the invoice approval process in spot checks.

In the case of the A-E consultant to the Water and Sewer Department, ISP notes the

consultant, Polyengineering, does provide occasional progress reports on active projects - directly to the County Commissioners rather than to the department head and the County Manager. These reports also indicate that on certain projects, Polyengineering is providing construction progress reports directly to "certain" Commissioners. This may be a throwback to the days before the County Manager position was established, but it is inconsistent with the present County managerial structure, and is certainly inconsistent with good solid oversight of contract management which could be circumvented and allow politics to be interjected.

To the Director of Airports' credit, action was taken this year in regard to a long-time consultant's unacceptable performance, which with much difficulty, resulted in the consultant's removal and replacement. The Purchasing Manual provides the option for the Board of County Commissioners to appoint themselves to selection committees at their discretion. ISP believes this option should be eliminated.

It is clear that a lack of competition, resulting in a continuous rolling over of contracts for A-E services is not necessarily desirable, in some cases.

As a policy, ISP questions the desirability of using the same A-E consultant who provides engineering and design services for a project to serve as the construction manager or supervisor. Depending on the compensation provisions of a given construction contract, the use of the same consultant to "supervise", certify accomplishments, and even to prepare documentation for compensation of the construction contractor could be open to abuses. There are no provisions in contracts for A-E consultant services which were examined to require re-performance of services at the consultant's own cost when errors in the consultant's design require re-work by the consultant or the construction contractor. Further, ISP has serious concerns where an A-E consultant's reimbursement for engineering and design services on a given project is determined by a "percentage of construction cost" of the project he designs. These exposures to unwarranted extra cost should be carefully reviewed.

## B. Contracts for Construction

ISP reviewed current or recently-completed construction contracts for which each of the three major contracting departments are responsible. As with contracts for professional services with A-E firms, ISP found no documentation of procedures for monitoring and administration of contracts for construction work that ensues from the A-E services. The three major departments (Public Works, Water & Sewer, and Airports) which rely heavily on consultants, apparently have no standard procedure for periodic reporting to county management on construction contractor performance on major projects.

The county departments rely heavily, and almost exclusively on the A-E consultant for preparation of monthly estimates of the work accomplished by construction contractors, although

the department heads review and sign off on the Contract Progress Payment Form. We were impressed with the apparent increased emphasis on pursuing contractual penalties when schedules are not complied with, in each of the three major contracting departments.

As in the case of A-E consultant services, there appears to be a dearth of qualified local contractors to bid on County construction contracts, sometimes resulting in a lack of competition.

Again, the contracting process seems to be working satisfactorily, although informal and undocumented in some aspects. No improprieties or abuse of the system was found.

#### IX. Other Observations

- X The aftermath of Hurricanes Erin and Opal, and Tropical Storm Alberto overtaxed the system. The County is to be congratulated for the yeoman's efforts expended and the results achieved. An input, received during the ISP review, suggests the preparation of annual contingency contracts for repair of disaster damage to basic County property and services. These contracts could be implemented immediately avoiding the time-consuming formal process which can be further complicated by the disaster.
- X The ISP could not identify a source of complete documentation for contracts issued by the County. It was found that:
  - X Purchasing documentation covers only the selection process. This
  - X Operating departments have copies of approved contracts.
  - X Finance files contain copies of active contracts and leases.

## X. ADDENDUM

1. February 27, 1996 letter from Chairman Nicholson to Mr. James Chitwood requesting a review by the Institute for Senior Professionals.
2. April 5, 1996 letter from ISP Chairman, Doug Harvell, to Chairman Nicholson accepting the review task.
3. April 15, 1996 memorandum from County Manager Chris Holley to all department heads asking cooperation with the ISP Task Force.
4. Organizational Chart
5. The Contracting Process
6. Reference documents reviewed:
  - < Okaloosa County, Florida "Comprehensive Annual Financial Report" f
  - < "Purchasing Manual", Board of County Commissioners, Okaloosa C
  - < July 16, 1996 Fiscal Year 1996-97 Okaloosa County Budget.
  - < Okaloosa County Tourist Development Council's "Operations and Procedu

## The Contracting Process

The process begins by stating what is to be accomplished or procured; this is included in the annual budget. From that point, the department head must then secure approval from the County Board of Commissioners in order to proceed with the work or purchase. Once the approval is obtained, the bidding process begins. It should be noted that during the audit it was apparent that sometimes the RFP preparation preceded the approval of the task by the Board. This bidding process is covered by the County Purchasing Manual; more specifically, pages 20 and 21 cover the general bidder selection process (pages 27-30 cover procurement of Professional Services and both parts are included in the addendum to this report for the convenience of the reader). Aside from the specific rules for each type of contracting, a general description of the process can be made and this follows.

Specifications for the effort are drawn up, usually by the department consultant but sometimes by the County engineers. A bidders list is developed, more to insure inclusion of all possible bidders, rather than an attempt to exclude anyone. Thereafter, the bidders are sent a bid package, including the work specification, and the deadline for submitting bids and any pertinent information regarding the bid. In addition, each bidding effort is announced in the newspaper. At the appointed hour on the appointed day the bids are received, the selection team (designated for each effort) opens the bids and evaluates them. A list is made of the ranking of the bids. The criteria is the lowest and best bid that meets the specifications. The Board of Commissioners is presented with the results and the first place bidder is recommended for approval. When the winner is determined by the board, a contract is initiated by purchasing, the necessary signatures obtained and the contracted effort is begun. At this point a copy of the contract is sent to the Finance Department. The Finance Department is responsible for progress payments and the "hold back amount". The Finance Office is designated as the contract administrator, but it only has authority to make payments as approved by the consultants, the Department heads and the County Manager. A copy of the approval sheet used is included in the addendum.