

**SEMINOLE COUNTY
DEPARTMENT OF
ENVIRONMENTAL SERVICES**

**LIMITED REVIEW OF
GUARDIAN EQUIPMENT, INC.
CHEMICAL FEED SYSTEMS MAINTENANCE
AND REPAIR PARTS CONTRACT (IFB-600160-07/RTB)**

REPORT NO. 020410

FEBRUARY 2010

Prepared by:
The Office of the
Clerk of the Circuit Court



MARYANNE MORSE
Clerk of the Circuit Court
Seminole County

February 4, 2010

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

Dear Mr. Chairman:

I am very pleased to present you with the attached limited review of the Guardian Equipment, Inc. Contract (IFB-600160-07/RTB).

The review found conditions that warrant management's attention. These conditions and management's corrective action plans are included in the report that follows.

I would like to personally thank the Environmental Services Department personnel for their assistance throughout the course of this review. Their assistance was deeply appreciated. With warmest personal regards, I am

Most cordially,

Maryanne Morse
Clerk of the Circuit Court
Seminole County

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**Seminole County
Department of Environmental Services Division**

**Limited Review of
Guardian Equipment, Inc. Contract (IFB-600160-07/RTB)**

EXECUTIVE SUMMARY

This report presents the results of our limited review of the Guardian Equipment, Inc.'s contract (IFB-600160-07/RTB) for chemical feed systems maintenance and repairs (the "Contract"). Our objective was to ascertain whether quarterly payments made to Guardian Equipment, Inc. ("Guardian") for preventative maintenance were made in accordance with the Contract and Seminole County (the "County")'s policies and procedures, administrative controls, laws and regulations.

Based on the site visits conducted, we observed the fees paid are not commensurate with the time it takes to perform the preventative maintenance.

We concluded the following areas warrant management's attention and we recommend that:

- The Contract should explicitly address preventative maintenance and the hourly rates specified in the amended Contract be observed;
- Time incurred to perform preventative maintenance should be commensurate with amounts paid;
- The preventative maintenance proposal was not signed by Guardian and Environmental Services;
- Supporting documentation was not always retained: County staff should approve or verify materials used and time incurred to perform the preventative maintenance;
- Maintenance logs at plant sites should be signed by all Guardian personnel entering the premises;
- Some invoices for repairs appear to be preventative maintenance in nature, and;
- Consider competitively bidding out the Contract upon expiration.

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We have included specific recommendations following each of our findings in the Findings and Recommendations section of this report.

PURPOSE

The purpose of this limited review was to determine if payments made to Guardian for preventative maintenance were made in accordance with the chemical feed systems maintenance and repairs contract IFB-600160-07/RTB and the County's policies and procedures, administrative controls, laws, and regulations.

SCOPE

To accomplish our objectives, we:

- Interviewed Environmental Services personnel.
- Conducted site visits of the waste water and water treatment plants.
- Obtained inspection reports from Building Reports on-line for the plants for the period of June 2009 through September 2009.
- Reviewed maintenance logs and observed the sign in and out times for preventative maintenance performed for the period of June 2009 through September 2009 for sixteen (16) waste water and water treatment plants.

The limited review was performed by the Office of the Clerk of the Circuit Court.

BACKGROUND

On April 27th, 2007, the County executed a contract with Guardian to provide chemical feed systems maintenance and repairs for the County (Contract IFB-600160-07/RTB the "Contract"). The Contract is a three (3) year contract and may be renewed for two successive periods not to exceed one (1) year each. According to section five (5) "Compensation" "the County agrees to compensate Guardian for the professional services under this Contract on a "Fixed Fee" basis."

On August 10, 2007, the Contract was amended to replace *Exhibit A*. In addition, the Witnesseth section of the Contract was modified to indicate "for the purchase of chemical feed systems maintenance and repair parts" in lieu of "to provide chemical feed systems maintenance and repair parts."

On July 15, 2008, a second amendment was executed to replace the labor rates contained in the previous Exhibit A with a new Exhibit A. The new Exhibit A reflected the hourly rate for labor installations, repairs, maintenance or general services, involving chemical feed systems. The hourly rate during regular business hours from M-F 7am to 6pm is \$115.50; emergency non-business hours are \$173.50. Hourly rates commence upon arrival to site and are inclusive of all administrative and overhead expenses necessary to provide all required services. The amendment explicitly indicated that "reimbursement for travel time from sites will not be authorized."

On December 4, 2008, Guardian submitted an annual maintenance proposal to Environmental Services offering to provide chemical feed systems at sixteen (16) waste water and water treatment plants for preventative maintenance. The annual maintenance proposal listed the services that would be provided on a monthly, quarterly, semi-annually and on an annual basis. The total proposed fee for such services was **\$162,180** or **\$40,545** quarterly. The proposal listed each of the sixteen (16) plants to be serviced and the corresponding fee per plant. Of the sixteen plants two (2) are waste water and fourteen (14) are water treatment plants.

Based on the December 4, 2008 proposal submitted by Guardian, Environmental Services staff authorized for preventative maintenance to be performed as outlined in the proposal for a fee of **\$162,180** annually or **\$40,545** quarterly. *It appears this authorization was verbal as the proposal was not signed by Guardian or Environmental Services.*

Internal Audit's Analysis

To date Guardian has been paid approximately \$121,635 for the preventative maintenance. Internal Audit was brought in to assess the reasonableness of such payments. Internal Audit noted the first quarterly invoice for preventative maintenance was based on Guardian's proposal dated December 4, 2008 and was for \$40,544.50 on December 11, 2008. This invoice was paid on January 26, 2009. The second quarterly preventative maintenance was billed and paid in April 2009; the third quarterly preventative maintenance was billed and paid in July 2009.

When the fourth quarterly invoice was presented for payment, it was discovered that such services are not covered under the Contract executed in April 2007. The three payments previously made were authorized based on the proposal submitted by Guardian on December 4, 2008. At that point, Purchasing notified all parties that such services should have gone through the procurement process by obtaining competitive bids. The appropriate personnel were notified that the fourth quarter invoice would be deemed unauthorized and was not processed.

On Friday October 9, 2009, the Clerk's Internal Auditors visited five (5) of the sixteen (16) plants to examine the maintenance logs at those plants for the period of June 2009 through September 2009. The locations visited were as follows:

1. Lake Monroe
2. Yankee Lakes¹
3. Marhkam
4. Hanover
5. Heathrow

From the five (5) plants visited, we observed the average time taken to perform the maintenance ranged from 40 minutes to 1 hour. The times which exceeded one hour included quarterly or annual maintenance. Using the hourly rate of \$115.50 for regular maintenance as indicated in the Contract's second amendment, the fees of \$40,545 paid to Guardian quarterly imply a monthly fee of \$13,515, which essentially Guardian would have to incur 117 hours per month (\$13,515 divided by \$115.50 per hour) to earn such fees, if repair parts are not used. The fees paid are not commensurate with the time it takes to perform the preventative maintenance.

¹ Guardian did not sign the maintenance log at this location. The visitor's log was used to verify time of arrival and departure.

Internal Audit's Analysis

On October 14, 2009, the Clerk's Internal Audit completed site visits of the remaining plants. The time incurred for preventative maintenance at those plants, per the maintenance logs, ranged from 25 minutes to 2.5 hours for the largest plant.

During our site visits Environmental Services staff indicated Guardian generally had 2 individuals at the plants during the preventative maintenance. In addition for larger locations we were informed Guardian had three to four individuals present. *Internal Audit could not validate this statement since the maintenance logs maintained always reflected one individual signing in.*

Since some of the plants have video cameras, Internal Audit attempted to review the videos to validate the representation made by Environmental Services staff. Fourteen (14) of the sixteen (16) plants had preventative maintenance during September. Internal Audit observed the videotaping for one of the plants noting a pickup truck entering the premises around the time indicated on the maintenance log; however, we could not ascertain the number of workers in the truck.

Per Environmental Services the preventative maintenance has always been based on a fixed fee since inception. Per staff this treatment *goes as far back as the first quarterly payment in June 2007*. To corroborate staffs' representation, Internal Audit selected one payment for the preventative maintenance prior to the Guardian's proposal dated December 4, 2008, noting on September 16, 2008, Guardian billed the County \$32,603.09 for thirteen (13) plants. The September 16th's invoice description read "*Quarterly Invoice for PM's at Water Plants.*"

Guardian's Analysis

In November 2009, Guardian provided Environmental Services an analysis per location supporting the amount billed. The analyses reflected labor and parts used to perform the preventative maintenance. The hours reported for the labor were substantially higher than the hours we observed during our site visits. The amounts reported for the parts appeared to be backed into to come up with the total amount billed for that plant.

Internal Audit's findings and recommendation are based on the audit evidence obtained during the site visits.

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Environmental Services' Analysis

Environmental Services recalculated the cost per location for the sixteen (16) plants based on the assumption that Guardian had two (2) individuals present at the sites during the preventative maintenance. *Internal Audit could not substantiate that two individuals were always present at the sites based on the maintenance logs.* The analysis also included materials used to perform the preventative maintenance.

In an effort to evaluate the accuracy and reasonableness of the analysis prepared by Environmental Services, Internal Audit selected nine (9) of the sixteen (16) plants and recalculated the labor cost based on arrival and departure times indicated in the respective maintenance logs. Except for the fact Internal Audit could not substantiate a second individual being present, the labor amount reported for those nine (9) plants were recalculated without material exception.

Internal Audit attempted to agree the amount reported for materials or parts for those nine (9) plants; regrettably Internal Audit could not obtain corroborating audit evidence that those parts were in fact used at those sites. The dollar values of the parts were provided to Environmental Services by Guardian. The invoices provided by Guardian did not indicate which plant those parts were purchased for. In some instances the plant's name was handwritten in and other instances the dates of the invoices were subsequent to the date the analysis reflected the preventative maintenance was performed.

Internal Audit notified Environmental Services that the cost of the materials could not be substantiated since the invoices did not specify which plant they were purchased for and the fact that Environmental Services had to rely on Guardian's "good faith" that those parts were used at those plants.

Environmental Services concurred they could not ascertain if in fact those parts were used at those plants, other than to rely on Guardian's "good faith" and indicated "if those parts were not used, the plants could potentially require more repairs due to break downs." *Internal Audit cannot opine on Environmental Services' position on the materials or parts used.*

Environmental Services' Analysis

The analysis prepared by Environmental Services revealed that the total cost for the preventative maintenance for the period of *October 2008 through September 2009* was approximately \$88,000. The labor portion was approximately \$55,000 (based on 2 individuals at each plant) while the materials or parts value was approximately \$33,000. To date approximately \$121,635 has been paid to Guardian for those services. The excess payment made to Guardian was determined by Environmental Services to be approximately \$34,000.

Internal Audit cannot opine on Environmental Services' results for the value of the preventative maintenance based on the fact that Environmental Services used the presumption that Guardian had two individuals present at all plants while performing the preventative maintenance and Internal Audit could not substantiate the materials or parts used at those plants.

Newly Adopted Policies

As a result of the limited review of the Guardian Contract, on December 14, 2009, Internal Audit was provided newly developed policies adopted by Environmental Services. *The new policies became effective January 1, 2010.* A memo dated December 9, 2009 was submitted to all contractors outlining the new policies. The new policies include, but are not limited to; all contractors are required to sign-in and out of plants with detailed explanations of the work performed.

In addition, Environmental Services developed a field worksheet to identify the work/repairs requested by the contractor; the work/repairs completed; the number of staff onsite performing the work; the times in and out of the sites; the purchase order number; the work order number and the materials used to complete the job. This document will be signed by County staff onsite upon completion of the work and a copy of the facility log book page will be attached to the contractors' invoice which will be submitted to Finance with the payment request.

FINDING NO. 1

The contract should explicitly address preventative maintenance and the hourly rates specified in the amended Contract be observed.

The Guardian contract is for the purchase of chemical feed systems maintenance and repair parts. The contract requires the repairs to be at an hourly rate of \$115.50 for non-emergency repairs performed during business hours. In addition, the Contract requires materials/parts to be depicted in a purchase order with the cost of the material. The contract does not explicitly address preventative maintenance at the sixteen (16) waste water and water treatment plants.

Recommendation

We recommend the contract be amended by the Board of County Commissioners through the "unauthorized" procurement process to explicitly include the preventative maintenance being conducted on a monthly, quarterly, semi-annually and annually at the sixteen (16) water and waste water treatment plants.

FINDING NO. 2***Time incurred to perform preventative maintenance is not commensurate with amounts paid.***

Based on the maintenance logs maintained at the plants, Internal Audit observed the average time taken to perform the monthly preventative maintenance ranged from 20 minutes to 2.5 hours. The amount of time taken to perform the preventative maintenance is not commensurate with amounts paid for such services.

In addition, we were informed by Environmental Services, Guardian uses parts during the preventative maintenance; the costs associated with those parts are not made known to the County. Conversely, the time incurred for the preventative maintenance should be greater if parts were replaced during the preventative maintenance.

Internal Audit performed a hypothetical analysis using an average of 2 hours per plant per month with one (1) individual. The analysis revealed the fees would be approximately \$11,100 per quarter, which is a potential excess of approximately \$29,400 per quarter. This hypothetical analysis did not include any materials or parts that could potentially need replacement during the preventative maintenance.

Recommendation

We recommend management implement policies to verify the time Guardian incurs to perform the preventative maintenance as well as verify the materials or parts used to perform the preventative maintenance.

FINDING NO. 3

The Preventative Maintenance proposal was not signed by Guardian and Environmental Services.

On December 4, 2008, Guardian submitted an annual maintenance proposal to Environmental Services offering to provide chemical feed systems at sixteen (16) waste water and water treatment plants for preventative maintenance. The annual maintenance proposal listed the services to be provided on a monthly, quarterly, semi-annually and on an annual basis. The total proposed fee for such services was \$162,180 or \$40,545 quarterly.

This proposal was not signed by an individual with authority to bind the County. By not having the Contract properly executed the Contract could potentially be unenforceable. As such, billing for preventative maintenance should be based on the last executed amendment.

Recommendation

We recommend a responsible individual with authority to bind the County in a contract executes the Contract or proposal as evidence that proper due care/diligence has been exercised.

FINDING NO. 4

Supporting documentation was not always retained; County staff should approve or verify materials used and time incurred to perform preventative maintenance.

During our site visits we discovered Guardian provided support to Environmental Services as to how the \$162,180 was determined and staff evaluated such support and concluded it was reasonable; however, no documentation was retained or made available to Internal Audit to assess the reasonableness of how preventative maintenance fees were determined.

In addition, we noted County staff does not verify the materials used for the preventative maintenance nor is the time incurred by Guardian verified, approved or signed off by County personnel.

Recommendation

We recommend that all supporting documentations that are part of contract negotiations be retained to support how amounts were determined and how reasonableness was assessed. Further, we recommend that materials or parts used and time incurred by Guardian while performing preventative maintenance be verified by County personnel.

FINDING NO. 5***Maintenance logs at plant sites should be signed by all Guardian personnel entering the premises.***

During our site visits we observed that although the maintenance logs were signed, in most instances, they were signed by one personnel from Guardian. At two waste water treatment plants the maintenance logs were not signed, instead the visitor's log was used to verify Guardian's time.

Environmental Services informed Internal Audit that Guardian represented to them that two individuals were always present and at the larger plants three to four individuals were present. Internal Audit could not substantiate this representation as the maintenance logs were signed by one Guardian personnel.

Recommendation

We recommend all Guardian personnel entering the premises sign the maintenance logs.

FINDING NO. 6***Some invoices for repairs appear to be preventative maintenance in nature.***

We observed a few instances where the County was separately billed for repairs that appear to be preventative maintenance in nature as outlined in the December 4, 2008 proposal. When inquired, Environmental Services told Internal Audit those were instances where Guardian may have had to go to the plant twice. In essence, the preventative maintenance was performed and subsequently the same item had to be repaired.

Internal Audit brought to Environmental Services' attention the billings were early on in the month (December 5th and 8th) which would have been covered during the period of the preventative maintenance.

Recommendation

Environmental Services should ensure that repairs being provided under separate work orders are not for repairs that should be preventative maintenance.

FINDING NO. 7

Consider competitively bidding out the Contract upon expiration.

The Guardian Contract will expire on or about April 27, 2010.

Recommendation

We recommend consideration be given to issue a Request For Proposal for the Contract to ensure the County is not expending higher fees than warranted and the services are competitively priced.