



Clerk of the Circuit Court Board of County Commissioners

Marion County



Internal Audit Division

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MEMORANDUM

TO: M. Stuart McElhaney, Life Safety Services Bureau Chief
Sammie L. Luckey, Sr., Code Enforcement Director

FROM: David R. Ellspermann, Clerk of the Circuit Court
Wallace K. Watford, Internal Auditor

DATE: October 5, 2004

RE: REVIEW OF CODE ENFORCEMENT ABATEMENT PROJECT PROCEDURES

Pursuant to the request from the Life Safety Services Bureau Chief on August 6th, the Internal Audit Division has performed a special review of abatement projects initiated by the Code Enforcement Department. We reviewed the procedures followed by Code Enforcement in the procurement of abatement services from contractors for projects arising from code violations of junk and litter and unsafe structures. We concentrated on whether the procurement process complied with the County Purchasing Code and departmental internal policies and whether the significant involvement of the Department in this activity can result in an appearance of impropriety in the awarding of projects.

Our review principally consisted of meetings with Code Enforcement Director and staff, discussion with the Purchasing Director, examination of abatement case files, and review of documentation supporting disbursements to abatement contractors for the past three years. Based on our review, we have determined the following.

Code Enforcement has instituted departmental operating policies and procedures for "Unsafe Structure Abatement" which are also followed in junk and litter cases. The Department made significant changes to its procedures in its last revision of July 22, 2004, which provided much needed improvements in internal controls. During our review and discussions with staff, the Department made further enhancements, implemented as of August 18th, which have provided a greater degree of improvement. The most significant changes have been more staff members involved in the process at critical stages and ensuring that all contractors are requested to bid on all unsafe structure projects for which they are properly licensed.

The following summarizes the most current procedures followed by Department personnel. In most instances, these procedures are more strict than the Purchasing Code requires in relation to the cost of most abatement projects.

- After a number of abatement projects are approved, the Abatement Officer mails an “Estimates Request” notification to every pre-approved contractor. Each project is identified by type (junk, litter and/or unsafe structure) and the physical address. Contractors are given a stated date in which to respond with their bid on each project. Each contractor is responsible for visiting each project address to visually determine what the project entails.
- Bids received from contractors are given only to the Accounting Specialist or Code Manager. The bids are date stamped when received and are secured by the Accounting Specialist until the stated due date for responses, or when all bids have been received (if earlier).
- The bids are not sealed, but are “opened” by the Accounting Specialist in the presence of the Abatement Officer and Code Manager, and possibly Director. Each bid is date stamped and initialed by each person present.
- The Abatement Officer then takes responsibility for bids and prepares a “Contractor Estimate Sheet” in which all bids are tallied by project and contractor. This document is initialed by the same individuals present at the opening. The document is given to Director, along with related case files, for review and approval for awarding of purchase order.
- The “Contractor Estimate Sheet” is then mailed to each bidder so they may know of all bids received from which contractor.
- The Abatement Officer then prepares a purchase requisition for each project, which is reviewed and approved by Director.
- Purchasing reviews the purchase requisitions and, if no apparent discrepancies are noted, completes the process by preparing a purchase order.
- Upon completion of the project, the contractor contacts the Abatement Officer, who then verifies if contracted work was completed. The invoices for services are reviewed and approved by the Director.

The above procedures should decidedly improve, if consistently followed, the internal controls over the awarding of abatement projects and should also minimize potential perceptions of favoritism in the award process. These procedures could be further enhanced by the additional steps identified in the following Conclusions and Recommendations section.

We noted a few instances that additional costs were approved and paid on an abatement project when it was found that the additional work was not known or observable at the time a bid was submitted. In a couple of the cases, it appeared to us that the additional work could have been rebid. Instead, a new purchase order was created, when a revised purchase order should have been issued. The explanations we were given for each instance had a reasonable basis, but such additional work approved after completion of bidding process could reasonably give the appearance of impropriety. Further, some of the revised amounts resulted in the total project amount exceeding \$10,000, sometimes significantly. The Purchasing Code has long required that any purchase order or agreement exceeding \$10,000 must be submitted to the BCC for approval.

We also noted that some case files did not have all documents (bids, purchase requisitions, purchase orders) contained within. We also noted inconsistencies in the usage and detail of case file notes made by officers.

We were also informed that some contractors were incorrectly told about their inability to bid on unsafe structures (less than 50 feet in height), which could have given the impression that bidding was needlessly

or deliberately restricted. This seemed to be the result of a change in licensing requirements by the Building Department that was effective on October 1, 2003, but was not known by Code Enforcement until several months later.

We discussed the abatement procurement issues with the Purchasing Director to determine if there are any alternatives to the recently revised departmental procedures. We were informed that Purchasing would be able to handle such activities, which would free additional time for the Abatement Officer to allow more time in the field performing other code enforcement activities.

The following summarizes the procedures that Purchasing could perform.

- Upon notification of the abatement projects, Purchasing would fax and/or mail bid information to the contractors.
- Purchasing, along with Code Enforcement, would meet the contractors at a predetermined time for on-site inspections of the projects. This would require inspection warrants to allow access to the property. This should eliminate possibility of later “additional work” and all bids would be final since most, if not all, aspects of the job would be observed by the contractor.
- Contractors would respond directly to Purchasing with bids (in writing, perhaps sealed).
- Purchasing would tabulate the bids and inform all parties of bidders and amounts.
- Purchase requisitions and purchase orders would be prepared, approved and processed in the usual manner.
- Purchasing would ensure that any change in work and amount to any existing purchase order would be properly reflected as a revised purchase order and processed accordingly.
- Upon completion of the project, the contractor contacts the Abatement Officer, who then verifies if contracted work was completed. The invoice for services are reviewed and approved by the Director.

Conclusion and Recommendations:

Based on our review, which included examination of case files and supporting documentation to contractor disbursements, we have concluded that Code Enforcement has generally followed the County’s Purchasing Code in the awarding of abatement projects, with some exceptions. We found that projects were awarded on the basis of lowest bid and no favoritism was evident, although favoritism was quite possible before the procedures were revised in July. We did find that discrepancies were made regarding “additional work” that should have been on revised purchase orders, and some of which should have been presented to BCC for approval, before payment, since the total work exceeded \$10,000. We also concluded that Code Enforcement did not deliberately misinform some contractors about their ability to bid on unsafe structures.

There have been recent significant improvements in the procedures for obtaining bids and awarding purchase orders. We have concluded that opportunities still exist to further enhance the internal controls over abatement project procurement. The best enhancements to controls and efficiency requires the greater involvement of the Purchasing Department. **We recommend that** Code Enforcement utilize Purchasing Department services to handle the procurement process.

If the Department maintains full responsibility for procurement of abatement services, **we recommend that:** all submitted bids be sealed by the bidders; the Accounting Specialist prepare the tabulation of the bids immediately upon opening; the Accounting Specialist prepare the purchase requisition for Director approval; the Department meet all bidders, with needed warrants, to inspect the projects before bids are submitted.

We recommend that the Department revise its operating policies and procedures to include all current procedures, and to specifically incorporate “junk and litter” abatements. The revised policies and procedures should require that each code case file have standardized and complete officer notes on the bidding process.

This review was conducted by Wallace Watford, Internal Auditor, and Sachiko Leon, Staff Auditor. We would like to express our appreciation to Mr. Luckey, Code Enforcement Director, and his staff for their cooperation and courtesy in the conduct of our review.

C: Patrick G. Howard, County Administrator
Janet Y. Tutt, Deputy County Administrator
Diane Tucker, Purchasing Director