

**Audit of
Utilities Department
Construction Projects**

**Report by the
Office of County Comptroller**

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**Report No. 383
June 2007**

TABLE OF CONTENTS

Transmittal Letter	1
Executive Summary	2
Action Plan	5
Introduction	8
Background	9
Scope, Objectives, and Methodology	11
Overall Evaluation	12
Recommendations for Improvement	14
1. Construction Contracts Should Include a Clause to Encourage Contractor Initiated Value Engineering Change Orders	15
2. The County Should Consider Expanding its Use of the Direct Purchasing Method of Procurement to Achieve Further Sales Tax Savings	16
3. Invoices for Fee Not-to-Exceed Contracts Should Be Reviewed to Ensure Accuracy and Conformance with Contract Terms and Conditions	18
4. Invoices Relative to Lump Sum Consulting Contracts Should Include Required Detailed Information as to the Services Provided	20
5. Utilities Should Ensure That Proposed Prices for Change Orders Are Fully Supported and Details of Negotiations Are Documented in a Memorandum.....	21
6. Purchase Orders Should Not Include a Scope of Work That Is Expected to Be On-going Far Beyond the Expiration of the Applicable Contract	24

June 25, 2007

Richard T. Crotty, County Mayor
And
Board of County Commissioners

We have conducted an audit of selected Utilities Department Construction Projects. The audit was limited to a review of the Construction of the Utilities Administration Building and the Improvements to Four Master Pump Stations projects. The period audited was April 2, 2002 through August 31, 2006. Our audit was conducted in accordance with generally accepted government auditing standards, and included such tests as we considered necessary in the circumstances.

Responses to our Recommendations for Improvement were received from the Managers of the Utilities Construction Division and the Manager of the Purchasing and Contracts Division and are incorporated herein.

We appreciate the cooperation of the personnel of both divisions during the course of the audit.

Martha O. Haynie, CPA
County Comptroller

c: Ajit Lalchandani, County Administrator
Michael Chandler, Director, Utilities Department
Troy Layton, Manager, Utilities Construction Division
Rick Wilson, Manager, Utilities Engineering Division
Ron Nielsen, Manager, Utilities Fiscal and Administration Support Division
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EXECUTIVE SUMMARY

Executive Summary

We have conducted an audit of two construction projects managed by the Orange County Utilities Department. The projects were the construction of the Administration Building on Curry Ford Road and improvements to four master pump stations located in various sites in the County. The audit period was April 2, 2002 through August 31, 2006. In summary, the objectives were to determine whether the procedures and controls over the award procedures, contract provisions, progress payments, procurement of materials, on site monitoring of construction, pricing of change orders, and contract close-out procedures were adequate and performed in accordance with policies and procedures and laws and regulations, where applicable.

In our opinion, we found controls over the projects were adequate. Further, based on the work performed, contract payments were materially accurate and billed in accordance with contract provisions; and contract close-out procedures met contractual terms. During the audit we also noted the following:

The construction contracts did not include a specific clause for value engineering.

We noted the current County policy on direct purchasing of materials requires only consideration for projects in excess of \$10 million. However, as noted in these contracts, some contracts valued at less than \$10 million may also provide opportunities for savings.

Utilities personnel did not request documentation supporting actual labor rates paid or hours worked for comparison to invoices.

Invoices submitted by the consultant providing engineering services relative to the improvements to the pump stations did not contain a sufficient level of detail to determine if these services were actually performed.

A change order (\$109,804), for work at one of the master pump stations, was not fully supported. Documentation was not sufficient to determine whether approximately \$5,000 was appropriately paid. We also noted that the Purchasing and Contracts Division does not require the person responsible for negotiating the price of a change order greater than a specified amount prepare a "Memorandum of Negotiations" detailing pertinent discussions regarding the change orders.

A Purchase Order for Program Management Services for the administration building project was issued for work expected to take at least three to four years, although only 15 months remained on the contract. This procedure allows a contractor to provide services in excess of the original contractual period with no formal limits on how far beyond the term of a contract a task authorization can cover, a condition which violates the spirit of competition and is contrary to the desire of the County.

Management concurred or partially concurred with all of the recommendations made in the report and noted that corrective action has been completed, is planned or is underway.

ACTION PLAN

AUDIT OF UTILITIES DEPARTMENT CONSTRUCTION PROJECTS ACTION PLAN

NO.	RECOMMENDATIONS	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED
1.	We recommend the County ensures future construction contracts include a "VE" clause in the basic contract in a prominent location. Further, contractors should be encouraged to suggest such changes.	✓			✓	
2.	We recommend the County considers modifying the direct purchasing clause to encourage its use on a case-by-case basis, in order to consider the nature and extent of materials included in the contract, regardless of the total project cost.	✓			✓	
3.	We recommend Utilities periodically compares the labor rates and hours worked as shown on invoices to supporting payroll documentation from the consultant for not-to-exceed contracts. This review should be performed at least once per contract period.	✓				✓
4.	We recommend Utilities ensures contractor invoices provide the details, as required by the contracts, relative to the specific tasks performed during a billing period.	✓				✓
5.	We recommend the following:					
A)	Utilities ensures that complete documentation supporting all the various elements of costs are included with future proposals for changed work; and	✓			✓	
B)	The PCD considers implementing a procedure requiring the person responsible for negotiating the price of a change order, greater than a specified amount, to prepare a "Memorandum of Negotiations." This memorandum would include the original proposed amount and the details of adjustments made to the proposal as a result of the review and negotiations.	✓				✓

**AUDIT OF UTILITIES DEPARTMENT CONSTRUCTION PROJECTS
ACTION PLAN**

NO.	RECOMMENDATIONS	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED
6.	We recommend the Purchasing and Contracts Division revises the Purchasing Manual to include guidance on limiting the expected length of time that task authorizations may exceed the term of the contract before requiring Board approval.		✓		✓	

INTRODUCTION

Background

The Utilities Department (Utilities) is responsible for the collection and disposal of solid waste, the collection and treatment of wastewater, and the treatment and disbursement of potable and reclaimed water. A variety of capital projects are planned for the next five years including upgrading and expanding Solid Waste, Water, and Water Reclamation facilities. The total budgeted amount for capital projects for Fiscal Year 2005-06 was \$85 million.

Within Utilities, the Engineering Division manages the Department's capital improvements program, performs project management and development review, and maintains the maps and records.

The Construction Division administers the Utilities' construction program, including pre-construction reviews, construction inspections, and the monitoring of projects during the construction phase.

The Fiscal and Administrative Support Division provides service and support in the areas of financial management, information technologies, human resources, safety administration, agreements management, and all procurement and material warehousing.

Two construction projects managed by Utilities were selected for review; the construction of the Utilities administration building on Curry Ford Road in Orlando and the contracts for improvements to four master pump stations located at various sites within the County.

The construction of the Utilities administration building consists of 95,000 square feet of office space and was completed in January 2005. It provides for the consolidation of Utilities management and support staff, as well as fiscal, information technologies, engineering, construction, and customer service staff at one location. For this project, two contracts were reviewed:

- 1) Contract Y3-754-PH, dated October 27, 2003, for the construction of the building was awarded to the lowest of the bids received from construction companies that

were pre-qualified to perform the work. The initial amount of the contract was \$7,664,503. It was subsequently amended by four change orders totaling \$232,301 for a total cost of \$7,896,804. This project was completed at the time of the audit.

- 2) Purchase Order C98903033, Task 33, issued as authorized under Contract Y8-903-MK for a consultant to provide continuing construction program management services for the design and construction phases of the Utilities administration building. This purchase order, dated April 2, 2002, was a fee not-to-exceed amount of \$655,212. One change order priced at \$22,523 was issued on September 10, 2003 resulting in a total fee not-to-exceed amount of \$677,735. The consultant had responsibility for, among other duties, providing on-site management.

The work for the improvements to four master pump stations involved, at a minimum, the following:

- Demolition of existing equipment,
- Cleaning and backfill of existing wetwells,
- Construction of new wetwells, sheathing and shoring,
- Piping valves, large pumps, mixers,
- Variable frequency drives, motor control centers,
- Electrical enclosures and generators,
- Diesel fuel tanks, odor controls, and
- Fencing and walls around pump stations.

For this project two contracts were reviewed:

- 1) Contract Y5-700-PH, dated May 9, 2005, for the construction phase of the improvements to the four master pump stations. The contract was awarded to the lowest bidder for an amount of \$7,925,000. One change order had been issued at the time of the audit for \$109,804. Thus, the total cost of the project at the time of the audit was \$8,034,804.
- 2) Purchase Order C97817003, Task No. 3 was issued as authorized under Contract Y7-817, for a consultant

to provide professional engineering services for the design and construction phase of six pump stations, four of which were those covered under contract Y5-700-PH. The Purchase Order was issued for a lump sum of \$510,414. Three amendments to the purchase order were subsequently issued which brought the total of the subject purchase order to \$1,246,075.

Scope, Objectives, and Methodology

The audit included a review of the construction contracts of the Utilities administration building on Curry Ford Road in Orlando and the contracts for improvements to four master pump stations located at various sites within the County. The audit period was April 2, 2002 through August 31, 2006. Specifically, the objectives of the audit were as follows:

- 1) To determine if the methods and procedures used in awarding the contracts were adequate, and to determine whether the language and provisions included in the contracts were advantageous to the County;
- 2) To determine whether payments were accurate and billed in accordance with contract provisions;
- 3) To determine whether procedures used to procure materials were adequate to ensure that materials provided met or exceeded specifications;
- 4) To evaluate the level of on-site monitoring of construction for adequacy;
- 5) To evaluate the necessity for, and the pricing of change orders; and
- 6) To ensure that close-out procedures met contractual terms.

To achieve our objectives, we performed the following:

- We reviewed the language and provisions in the applicable contracts, and documentation supporting the competitive awarding of the contracts;
- We reviewed a sample of progress payments to determine if payments were accurate and billed in accordance with the applicable contract/purchase orders;
- We evaluated procedures used to procure materials to ensure that materials provided met or exceeded specifications;
- We observed and evaluated the level of on-site monitoring of construction and reviewed and evaluated change orders for validity and reasonable pricing;
- We reviewed the procedures used for overall management of the projects and evaluated the effectiveness of the overall system of internal controls; and
- We evaluated the contract close out procedures for the administration building.

Overall Evaluation

In our opinion:

- A) The methods and procedures used in awarding the contracts were adequate;
- B) The language and provisions included in the contracts were generally advantageous to the County;
- C) The procedures used to procure materials were adequate to ensure that materials provided met or exceeded specifications;
- D) The level of on-site monitoring of construction was adequate; and

INTRODUCTION



- E) The pricing of change orders was appropriate and changes appeared necessary.

Based on the work performed, we concluded that contract payments were materially accurate and billed in accordance with contract provisions, and contract close-out procedures met contractual terms. Improvements are needed as noted herein.

RECOMMENDATIONS FOR IMPROVEMENT

1. Construction Contracts Should Include a Clause to Encourage Contractor Initiated Value Engineering Change Orders

Contracts should have a value engineering clause

Value Engineering (VE) is a process whereby savings can be obtained when a contractor makes a suggestion to substitute materials that are different and less costly than what was originally specified. Such substitutions must be of equal or better quality than the items originally specified and cannot hinder the aesthetics or the intended use of the project.

During our review of contracting procedures and documents, we noted that Utilities does not put an emphasis on VE. Utilities staff stated that the VE conducted by staff occurs prior to the contract execution. During our review of two construction contracts (Y3-754-PH and Y5-700-PH), we noted that there was not a specific clause in the basic contract titled, "Value Engineering". Such a phrase should encourage the contractors to seek out opportunities for VE changes that would provide savings to both the County and the contractor. Instead, Article 9 of the General Conditions, in both contracts, titled, "Contractor's Responsibilities" contains a sub-clause called "Substitution of Materials." In this Section, it states that if the contractor substitutes lower cost materials for those specified, the savings shall be shared between the contractor and the County in accordance with the instructions to the bidders (which states the savings shall be shared equally). It should be noted that there were no VE change orders executed for either of the construction contracts reviewed.

Standard County construction contracts typically contain a VE clause. While significant savings and improvements in materials can occur prior to construction, at times, changes during construction can and often do yield additional savings. Including this language in the sections of the contracts as described above neither emphasizes the importance of VE nor sufficiently encourages contractors to seek out opportunities for VE changes.

We Recommend the County ensures future construction contracts include a “VE” clause in the basic contract in a prominent location. Further, contractors should be encouraged to suggest such changes.

Management’s Response:

Concur. A Value Engineering provision is currently being developed and when finalized will be included in our construction contract boiler plate language.

2. The County Should Consider Expanding its Use of the Direct Purchasing Method of Procurement to Achieve Further Sales Tax Savings

The use of direct purchases should be expanded

One of the objectives of the Purchasing and Contracts Division, as stated in the Purchasing Procedures Manual, is to obtain maximum savings through innovative buying and application of value analysis techniques. However, for the two construction contracts reviewed, the County did not purchase any materials or equipment directly from suppliers to take advantage of the County tax exempt status (referred to as direct purchases).

It was noted that the last page of the General Conditions Section of both contracts reviewed reflects the County’s policy on this issue. The page prescribes that the direct purchase method of acquiring materials, for construction contracts exceeding \$10 million, should be considered in order to take advantage of the County tax exempt status.

In previous audit reports, we recommended that the County utilize, to a greater extent, the direct purchase method of acquiring materials and equipment on construction projects to take advantage of the County’s exemption from sales tax. As a result of these previous recommendations, the County established a Work Group. This Work Group, in which we participated as an advisor, decided to implement a policy whereby all construction contracts in excess of \$10 million would be considered for direct purchases. We did not object

**RECOMMENDATIONS
FOR IMPROVEMENT**



to this policy suggestion. As a result of this change in policy, the County has realized additional sales tax savings.

However, the current policy of the County, as illustrated in the contract language described above, is to only consider this method for contracts in excess of \$10 million. The initial costs of the two construction contracts reviewed were \$7.9 million (Y5-700-PH) and \$7.8 million (Y3-754-PH), respectively. As such, neither of these projects were considered for direct purchases.

There are times when a project costing less than \$10 million may provide opportunities for significant savings. In this regard, the audit identified a number of examples of high priced items for both contracts reviewed where, if they had been purchased directly by the County and furnished to the contractors, sales tax in excess of \$76,000 would have been saved as shown below:

Item	Price Before Tax	Sales Tax Paid
Wall Board Products	60,545	\$ 3,708
Window Parts	44,063	2,728
Ceiling Grid	16,379	1,068
Electric Light fixtures	128,690	8,365
Generator	52,930	3,109
Cable	39,040	2,538
Flooring	101,346	6,037
Door Hardware	63,200	3,792
Wood Doors	17,870	1,122
15 Check Valves	101,350	6,106
8 Bioway Odor Control Reactors	344,912	20,718
4 Pumps Presidents Dr.	84,749	5,085
3 Pumps Northwest	61,038	3,662
4 Pumps Hiawassee	93,489	5,609
4 Pumps Orangewood	164,865	9,892
Total Both Projects	1,374,466	\$83,539
*Less: Approximate amount returned to Orange County		(\$7,247)
Total Potential Sales Tax Savings		\$76,292

* The state of Florida returns a half cent of every six cents of sales tax collected to the collection jurisdiction. In addition, the Orange County

surtax of one half of one cent on individual purchases up to \$5,000 also comes back to the county.

We Recommend the County considers modifying the direct purchasing clause to encourage its use on a case-by-case basis, in order to consider the nature and extent of materials included in the contract, regardless of the total project cost.

Management's Response:

Concur. The direct purchase provision is currently being modified to allow use of direct purchases on contracts less than \$10 million if determined appropriate by the project manager.

3. Invoices for Fee Not-to-Exceed Contracts Should Be Reviewed to Ensure Accuracy and Conformance with Contract Terms and Conditions

The County entered into Contract Y8-903 with a consultant to provide Continued Construction Program Management Services. Subsequently, Purchase Order C9803033 was issued to the consultant to provide these services for the design and construction of the Utilities administration building. The purchase order was originally issued for a fee not-to-exceed amount of \$655,212 and later a change order of \$22,523 was authorized for a total not-to-exceed fee of \$677,735.

Contract Y8-903, Paragraph 4.1, requires that compensation performed under the fee not-to-exceed method shall be the consultant's actual direct salary times a multiplier of 2.99 plus sub-consultants' costs and other direct costs. The contract also includes a schedule detailing the maximum hourly rates applicable to classifications of personnel likely to be employed to perform these services. Purchase Order C98903033 stipulates that compensation for the services shall be in accordance with the fee not-to-exceed method as described in Paragraph 4.1 of contract Y8-903.

The above purchase order (and the change order) included a schedule of position titles, pay grades, salary rates, the

RECOMMENDATIONS FOR IMPROVEMENT



number of hours each position is expected to work on the project, and a multiplier of 2.99 applied for mark-ups equaling the total amounts. At the time of the audit the contract task was complete and paid in full.

During our review of a sample of invoices, we found the following:

Invoices for
not-to-exceed
contracts
should be
compared to
supporting
payroll
documentation

- A) Each invoice included a list of position titles, salary rates and labor hours, purported to be those that were actually incurred. However, the position titles and rates did not always conform to those listed in the purchase order. Nevertheless, the total amount paid for all the invoices equaled exactly, to the dollar, the amounts authorized by the purchase order and the subsequent change order.
- B) Utilities personnel did not ask the consultant to provide examples of supporting documentation for actual labor rates or hours worked, for review. We were told that in reviewing invoices from the consultant, Utilities personnel verified that the positions and rates of pay shown on the invoices were generally in line with those stipulated in the contract/purchase order; the amount of the invoices were reasonable; and the total of all invoices did not exceed the authorized amount.

A good internal control, to ensure that the services are billed at the rate actually paid to the individuals reported to be working on the project, is to verify hours worked and compare the labor rates stated in the invoices to the labor rates shown in payroll documentation.

It is not likely that the actual hours worked and the rates paid throughout the life of the project would exactly equal the amounts authorized. Without reviewing the consultants support for hours worked and rates paid by the County, in effect, treated the purchase order as if it were a lump sum. This negates the purpose of using the fee not-to-exceed method of procurement (which provides for the opportunity for a lower actual cost of services.)

It should be noted that we found no discrepancies when we compared the rates charged for certain individuals on two invoices (numbers 5 and 16) to the rates actually paid as shown in the payroll documentation. However, by not ensuring that salary rates listed in invoices are in accord with rates shown on actual payroll documentation, Utilities has no assurance that it is paying the correct amounts.

We Recommend Utilities periodically compares the labor rates and hours worked as shown on invoices to supporting payroll documentation from the consultant for not-to-exceed contracts. This review should be performed at least once per contract period.

Management’s Response:

Concur. We will work with engineering consultants to develop and implement a process to periodically compare the labor rates and hours worked as shown on invoices to supporting payroll documentation from the consultant for not-to-exceed contracts.

4. Invoices Relative to Lump Sum Consulting Contracts Should Include Required Detailed Information as to the Services Provided

Invoices
should
include
required
information

Invoices submitted by the consultant providing engineering services during the design and construction phases for improvements to the master pump stations did not contain a sufficient level of detail to determine the services that were actually performed during the billing period. The invoices only contain the total funds allocated to the pump, the percent complete, the amount billed to date, the amount previously invoiced, and the amount due for the current billing period.

Contract Y7-817, Article 5.4, “Progress Payments to the Engineer” states the following:

Each invoice, for a lump sum task, is to be accompanied with a narrative statement from the Engineer describing the work accomplished by the

Engineer during the period covered by the invoice by reference to the tasks described in the scope of services.

We Recommend Utilities ensures contractor invoices provide the details, as required by the contracts, relative to the specific tasks performed during a billing period.

Management's Response:

Concur. We will require the consultant/contractor to provide a narrative statement describing the work accomplished during the period of time covered by the invoice by reference to the tasks described in the scope of services.

5. Utilities Should Ensure That Proposed Prices for Change Orders Are Fully Supported and Details of Negotiations Are Documented in a Memorandum

One of the audit objectives was to evaluate the necessity for and the pricing of change orders. Because of the relatively small number of change orders to the construction contracts for the two projects audited, all of the change orders issued were reviewed. All change orders appeared to be necessary and supporting documentation for the change orders relating to the administration building construction were adequately supported.

However, the one change order to the pump station project was not adequately supported. This change was issued for \$109,804 to cover repairs to a "30 inch Depend-O-Lok" near the Orangewood East pump station. Support that was lacking was as follows:

- Fringe benefits of \$11,383 were based on 67.5 percent being applied to direct labor costs. No support for these benefits was provided until requested by the auditors after the change order had been issued and approved.

RECOMMENDATIONS FOR IMPROVEMENT



- A daily rate of \$500 (for one day) for a Project Manager was included in the proposal equating to an hourly rate of \$62.50. The hourly rate for the Project Manager shown in the fringe benefits details, provided after the change order was issued, was \$55 per hour. No payroll documentation was submitted to determine which rate was correct.
- A daily rate of \$400 (for 10 days totaling \$4,000) for a Project Superintendent was included in the proposal equating to an hourly rate of \$50. The hourly rate for the Project Superintendent shown in the fringe benefits details, was \$35. No payroll documentation was submitted to determine which rate was correct.
- The amount of overhead included in the proposal was incorrectly calculated at \$5,412. In the proposal it was shown as 5 percent of line 30. However, line 30 included the contractor's cost, the sub-contractor's cost and overhead. The 5 percent should only have been applied to the total of the contractor's and the sub-contractor's costs for total overhead of \$4,464 or \$948 less than the proposed amount.

The effect of the above is shown in the following table:

Item	Change Order Proposal	Audited Calculation	Difference	
Fringe Benefits	\$11,383	\$8,362	\$3,021	(1)
Direct Labor – Project Manager and Project Superintendent	4,500	3,240	1,260	(2)
Overhead 5% of Prime & Sub	5,412	4,464	948	(3)
Total	\$21,295	\$16,066	\$5,229	

- (1) The audited calculation was arrived at by eliminating several items such as tools, training, and safety, which are considered to be overhead items. Also two separate fringe benefit rates were calculated; office at 72 percent and field at 49 percent.
- (2) The audited calculation was arrived at by using the Project and Superintendent Managers' hourly rates as shown in the schedule of fringe benefits.
- (3) The audited calculation was arrived at by applying 5 percent to the total cost of the contractor's and the sub contractor's work only.

RECOMMENDATIONS FOR IMPROVEMENT



A Memorandum of Negotiations should be prepared

Based on the preceding, a more comprehensive review of the proposal and additional negotiations might have reduced the cost of the change order by at least the amount shown in the above table. One method for management to determine if individuals responsible for negotiating the prices for change orders have performed comprehensive reviews of the applicable support, is for the Purchasing and Contracts Division (PCD) to implement a procedure whereby individuals responsible for negotiating prices of changes be required to prepare a "Memorandum of Negotiations" for all change orders over a specified amount. This memorandum would include information such as the original proposed amount and a detailed explanation of the adjustments for each category of costs, which would help facilitate PCD's review of the supporting documentation.

We Recommend the following:

- A) Utilities ensures that complete documentation supporting all the various elements of costs are included with future proposals for changed work; and,
- B) The PCD considers implementing a procedure requiring the person responsible for negotiating the price of a change order, greater than a specified amount, to prepare a "Memorandum of Negotiations." This memorandum would include the original proposed amount and the details of adjustments made to the proposal as a result of the review and negotiations.

Management's Response:

- A) Concur. We will immediately amend our procedures to ensure that complete documentation is prepared for all change orders resulting in a price adjustment.
- B) Concur. A letter will be sent to departments/divisions that are responsible for construction administration advising them of a requirement for a price negotiation memorandum for change orders resulting in a price adjustment when Board approval is required. In

addition, they will be informed that a price negotiation memorandum is desired for all change orders resulting in a price adjustment. The Purchasing Procedures Manual will be updated to include this requirement.

6. Purchase Orders Should Not Include a Scope of Work That Is Expected to Be On-going Far Beyond the Expiration of the Applicable Contract

Contract Y8-903 for General Consulting and Capital Improvement Program Management Services was issued on July 9, 1998. The contract period was for three years with two one-year renewal options that were subsequently executed. This extended the terms of the contract until July 9, 2003.

Purchase Order C98903033 (Task No. 33 under contract Y8-903) was issued on April 2, 2002, for Program Management Services for the design and construction of the Utilities administration building. The Purchase Order was for a not-to-exceed amount of \$655,212, and later amended to a total of \$677,735.

It was anticipated by all parties that this service would need to be performed over the three-year life of the project. Thus, the Purchase Order extended the original contract to a period of over 7 years.

The County's policy regarding this issue is evidenced by the wording in the current contract for Consulting and Capital Improvement Program Management Services, Contract Y3-904. This contract contains specific language, which allows for the issuance of tasks authorizations that exceed the contract term. This wording is as follows:

“Any Purchase Orders for Task authorizations issued during the effective period of this contract and not completed within that period shall be completed by the consultant within the time frame specified in the Purchase Order. The contract shall

govern the Consultant's and the County's rights and obligations with respect to that order to the same extent as if the order was completed during the contract's effective period."

No guidance was given as to how far beyond the term of the contract a task authorization can cover.

Although the above procedure does not violate any regulations regarding County procurement; it appears to conflict with the spirit of competition as it allows a contractor to provide services in excess of the original anticipated contractual period. This process also seems to counter the objectives of the County's Procurement policy of dealing fairly with all vendors wishing to do business with Orange County and maximizing competition for all procurement. This practice could also impair the County receiving these services at the most competitive price.

We Recommend the Purchasing and Contracts Division revises the Purchasing Manual to include guidance on limiting the expected length of time that task authorizations may exceed the term of the contract before requiring Board approval.

Management's Response:

Partially concur. The continuing contracts will be monitored to ensure that a task authorization with an extended performance time is not issued in the last few months of the contract. There will be times when the task authorizations will exceed the contract completion date as is the case when construction administration is within the scope of services required. There is no need for Board approval if a task authorization exceeds the term of the contract.