

# **Limited Review of Professional Services Payments**

**Report by the  
Office of County Comptroller**

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September 3, 2015

Teresa Jacobs, County Mayor  
And  
Board of County Commissioners

We have conducted a review of invoice payments for professional services in Orange County. The review was limited to a review of the invoice payment process for professional services contracts and compliance with County procurement procedures for contract overhead and profit multipliers. The period audited was October 2012 through July 2014.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Responses to our Recommendations for Improvement were received from the Director of Public Works, Manager of Capital Projects and Executive Director of the Orange County Convention Center and are incorporated herein.

We appreciate the cooperation of the personnel of the Engineering and Roads and Drainage Divisions of the Public Works Department as well as the Capital Projects Division and Procurement Division during the course of the audit.

Martha O. Haynie, CPA  
County Comptroller

c: Ajit Lalchandani, County Administrator  
Mark Massaro, Director, Public Works Department  
Sara Flynn-Kramer, Manager, Capital Projects Division  
Kathie Canning, Executive Director, Orange County Convention Center  
Johnny Richardson, Manager, Procurement Division

# EXECUTIVE SUMMARY

## Executive Summary

Professional services, defined by Florida Statutes as those services performed by an architect, professional engineer, landscape architect, or registered surveyor and mapper, are procured by the County to provide expertise needed for various projects. These services are generally obtained from a consultant through the issuance of continuing contract awarded in accordance with County rules and State laws. As individual projects are generated, a detailed scope of work is prepared and provided to the consultant. In response, the consultant submits a cost proposal showing the hours, hourly rates, sub-contracted services, and out-of-pocket expenses based on the terms established in the governing contract.

The audit scope included a review of the invoice payment process for professional service contracts and compliance with County procurement procedures for contract overhead and profit multipliers. The audit period was October 1, 2012 to July 31, 2014. The primary objectives of the review were to determine the following:

- 1) Whether internal controls over the professional services invoice payment process were adequate to ensure services were properly authorized and paid in compliance with contractual terms; and,
- 2) Whether overhead and profit multipliers were submitted in compliance with County Procurement procedures and applied correctly to task authorizations.

In our opinion, controls over the professional services invoice payment process were adequate to ensure services were properly authorized and paid in compliance with contractual terms. Based on the work performed, overhead and profit multipliers were submitted in compliance with County Procurement procedures and applied correctly on task authorizations. Opportunities for improvement were noted and are described below.

Narrative descriptions of services performed during the billing period and to be performed during the subsequent period were not always provided with payment requests as required.

Thirty-eight percent (3 of 8) of the first invoices and change orders submitted for a Task Authorization included work performed prior to the date the Task Authorization and change orders were approved by the Procurement Division. All of the instances related to work performed at the County's Convention Center.

Management concurred with all of the Recommendations for Improvement and steps to implement the recommendations are underway or completed. Responses to each of the Recommendations for Improvement are included herein.

# ACTION PLAN

**REVIEW OF PROFESSIONAL SERVICES PAYMENTS  
ACTION PLAN**

NO.	RECOMMENDATIONS	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED
1.	We recommend the Capital Projects Division, Public Works Department, and Convention Center ensure consultants provide a narrative description of services performed during the period covered by invoices as well as the next billing period.	✓			✓	
2.	We recommend the Convention Center personnel authorize the commencement of non-emergency work only after approval by the Procurement Division.	✓			✓	
3.	We recommend the Convention Center ensures billings that include work performed by sub-consultants are supported by sub-consultants' invoices.	✓			✓	

# INTRODUCTION



**Background**

Section 287.055, Florida Statutes defines professional services as those services performed by an architect, professional engineer, landscape architect, or registered surveyor and mapper (hereafter, consultant).

The County issues continuing contracts, as defined in Florida Statutes, for professional services needed throughout the County. As individual projects are generated, a detailed scope of work is prepared and provided to the consultant. In response, the consultant submits a cost proposal showing the hours, hourly rates, sub-contracted services, and out-of-pocket expenses based on the terms established in the governing continuing contract. Upon acceptance of the proposal by the County, a task authorization is approved through the issuance of a purchase order.

The Capital Projects Division, Orange County Convention Center (Convention Center), and Public Works Department used professional services contracts with the largest task authorization during the audit period.

**Scope, Objectives,  
and Methodology**

The audit scope was limited to a review of the invoice payment process for professional service contracts and compliance with County Procurement procedures for contract overhead and profit multipliers. The audit period was October 1, 2012 to July 31, 2014. The primary objectives of the review were to determine the following:

- 1) Whether internal controls over the professional services invoice payment process were adequate to ensure services were properly authorized and paid in compliance with contractual terms; and,
- 2) Whether overhead and profit multipliers were submitted in compliance with County Procurement procedures and applied correctly to task authorizations.

To determine whether internal controls over the professional services invoice payment process were adequate, we performed the following:

- Reviewed and evaluated the system of internal controls by obtaining and examining applicable organization charts, job descriptions, and policies and procedures. In addition, we conducted interviews to determine how the policies and procedures were implemented and documented the various operational processes and systems.
- Selected a sample of 64 professional services invoices of 14 task authorizations from seven County contracts (Y12-900A, Y12-900B, Y12-905A, Y12-905B, Y12-905C, Y12-905D and Y13-903). For the invoices selected, we verified the following:
  - The task authorization overhead and profit multiplier agreed to the governing contract;
  - The calculated billings on the invoice were mathematically accurate;
  - The invoice was approved by Project Management and Fiscal personnel within ten business days of receipt;
  - A narrative of the work performed by the consultant and sub-consultants and the work to be performed during the next billing period was provided with the invoice;
  - Work performed by sub-consultants were supported with sub-consultant invoices;
  - The work performed was within the general scope of the task authorization;

- Whether travel expenses were billed and within the limits prescribed by Florida Statutes;
- Reimbursable expenses billed were authorized in the task authorization;
- Work performed did not begin before the task authorization or change order was approved by the Procurement Division;
- Wage rates used in the task authorization agreed with the governing contract;
- The sub-consultants were included in the governing contract or subsequent approval of the sub-consultant was included in the project file; and,
- The overhead and profit multiplier agreed with the governing contract.

To determine whether contract overhead and profit multipliers were submitted in compliance with County Procurement procedures, we used the seven contracts selected above and verified the following:

- Adequate documentation was submitted to support the consultant's overhead and profit multiplier rate;
- Employee wage rates and overhead and profit multiplier support documentation was signed by an employee of the consultant; and,
- The overhead and profit multiplier for the consultant and sub-consultants did not exceed the maximum of 2.99 allowed by the Procurement Division.

In addition, we reviewed the Procurement Divisions justification for establishing a maximum overhead rate of 2.99 for reasonableness. Our review did not include auditing

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## INTRODUCTION



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the overhead rate submitted for compliance with procurement rules.

## Overall Evaluation

In our opinion, controls over the professional services invoice payment process were adequate to ensure services were properly authorized and paid in compliance with contractual terms. Based on the work performed, overhead and profit multipliers were submitted in compliance with County Procurement procedures and applied correctly on task authorizations. Opportunities for improvement were noted and are described herein.

# RECOMMENDATIONS FOR IMPROVEMENT

**1. Invoices Should Be Supported by Narrative Descriptions**

Narrative descriptions of services performed during the billing period and to be performed during the subsequent period were not always provided as support for professional services invoices. Although we noted there was a narrative description of the work performed during the current billing period for all but one of the 64 invoices reviewed, 33 percent (20 of 61) of the invoices reviewed did not include a narrative of the work to be performed during the next billing period.

Section II. Payment, B. Payment, of the County's professional service contracts includes the following:

All requests for payment must be accompanied by a narrative description of the scope of services from Exhibit A performed by the consultant and sub-consultants during the period covered by the invoice. The narrative shall also describe the work to be performed during the next billing period.

Invoices submitted for payment should be in compliance with contract requirements. Reviewing invoices submitted for compliance with contract requirements is the cornerstone of an effective contract monitoring process.

**We Recommend** the Capital Projects Division, Public Works Department, and Convention Center ensure consultants provide a narrative description of services performed during the period covered by invoices as well as the next billing period.

**Management's Response:**

**Capital Projects Division:** Concur. When concerns about ensuring that a statement of work for current and future work be included clearly on the invoice for payment were noted, the Capital Projects Division implemented improvements to the invoice review process. These improvements include checking the payments as they are received, requiring the use of a standard County professional services invoice

## RECOMMENDATIONS FOR IMPROVEMENT



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format, and reviewing each payment against a payment checklist prior to approval. This process has been in place for almost a year with great success.

Upon approval of the County's FY 15/16 Budget, a new Contract Administrator will focus on contract compliance that will include invoice tracking and review.

Convention Center: We Concur. We agree and have already implemented.

Public Works Department: We Concur. Three of nine Public Works invoices did not have the accompanying narrative required by the contract. We will remind staff regarding the requirement for the narrative. All invoices will have the narrative attached.

### 2. Work Should Not Begin Until the Task Authorization is Approved

During our review, we noted that 38 percent (3 of 8) of the first invoices for change orders submitted for Task Authorizations at the Orange County Convention Center (Convention Center) included work performed prior to the date the change orders were approved by the Procurement Division. These are detailed in the table below:

Contract No.	Invoice No.	Date Change Order Approved	Invoice Start Date	Invoice Amount
Y12-900A	17-12002.02	7/18/13	7/8/13*	\$5,259
Y12-900B	2C12900B009	9/11/13	9/1/13	\$3,916
Y12-900B	2AC12900B009	10/14/13	9/1/13	\$3,873

\* - The sub-consultant invoice included the following: this invoice includes all time through 07/08/13; based on this wording, it appears as if work started prior to 07/08/13.

We were informed by the management of the Convention Center that they had authorized the consultant to begin work prior to the date the change order was approved by the Procurement Division. The County's Procurement Procedures Manual, Section 1: Procurement Division –

Responsibilities and Functions, Procedures E. includes the following:

It is unlawful for a County Officer or employee to order the procure of any materials, supplies, equipment or contractual services, other than through the Procurement Manager, without prior written authority or as specifically designated herein. Any purchase order or contract that is made contrary to these provisions shall not be approved and shall not bind the County.

Approving professional services work without the approval of the Procurement Division is a violation of County policy and standard operating procedures that can result in inappropriate expenditures.

**We Recommend** the Convention Center personnel authorize the commencement of non-emergency work only after approval by the Procurement Division.

**Management's Response:**

We Concur. We agree and have already implemented.

**3. Work Performed by Sub-Consultants Should Be Supported With Sub-Consultant Invoices**

During our review, we noted 13 percent of the consultant invoices (6 of 47) with subcontractor billings were approved for payment without an invoice from the subcontractor documenting the amount billed and services provided by the subcontractors. Although \$88,764 of \$112,478 of subcontractor invoices were received after the payments were made, there was no verification of the accuracy of the amounts billed by sub-consultants when the invoice was paid. The invoices were approved and paid without adequate support for the amounts billed. These invoices related to work performed at the Convention Center.





Unsupported Subcontractor Billings Approved for Payment		
Invoice No.	Subcontractor Amount Billed	Unsupported Balance
03-12002.02	\$16,552	\$5,476
04-12002.02	\$17,555	\$3,007
10-12002.02	\$28,850	\$6,067
06-12002.03	\$15,998	0
08-12002.03	\$28,601	\$8,140
1AC12900B009	\$4,922	\$1,024
<b>Total</b>	<b>\$112,478</b>	<b>\$23,714</b>

Section II. Payment, B. Payment, of the County's professional service contracts includes the following:

When an invoice includes charges from a sub-consultant, the sub-consultant's invoice/backup shall accompany the consultant's invoice.

In addition, best practices require that when a consultant's billings include monies for work performed by sub-consultants, invoices should be obtained from the sub-consultants and submitted as support. Without these practices, billings by the primary consultant for a larger percentage of the work than has been performed by the sub-consultant may not be detected.

**We Recommend** the Convention Center ensures billings that include work performed by sub-consultants are supported by sub-consultants' invoices.

**Management's Response:**

We Concur. We agree and have already implemented. Please note, the audit period of October 2012 through July 2014 indicated \$23,714 of payments made without supporting documentation. The projects were completed after the audit period and the OCCC did not overpay as the consultants and sub-consultants were paid according to the schedule of values.