

**Audit of  
Public Works Department's  
Mowing Services Contracts**

**Report by the  
Office of County Comptroller**

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March 24, 2015

Teresa Jacobs, County Mayor  
And  
Board of County Commissioners

We have conducted an audit of the Orange County Public Works Department's Mowing Services Contracts. The audit was limited to a review of contracts open as of June 30, 2014. The period audited was October 1, 2013 through September 30, 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 and are incorporated herein.

We appreciate the cooperation of the personnel of the Public Works Department and Procurement Division during the course of the audit.

Martha O. Haynie, CPA  
County Comptroller

c: Ajit Lalchandani, County Administrator  
James Harrison, Deputy County Administrator  
Marc Massaro, Director of Public Works

# EXECUTIVE SUMMARY

## Executive Summary

The Public Works Department (Public Works) includes the Roads and Drainage Division, and Stormwater Management Division. These divisions' responsibilities include the maintenance of roadways and pedestrian walks as well as the ground maintenance and drainage of these and surrounding areas. Ground maintenance services include mowing, edging, litter removal, brush control, applications of herbicides and pesticides, landscaping, sodding, and tree removal. In 1997, the Roads and Drainage Division began to outsource ground maintenance services, especially mowing services to outside private contractors. Through the years, the Roads and Drainage Division refined its procurement practice and contracting agreements. Currently, contractors must complete a prequalification process to be eligible to bid on requested services.

Mowing services are a large portion of the total ground maintenance expense of Public Works. The mowing contracts outsourced by Public Works are for right-of-ways, retention ponds, canals, and ditches. In October 2013, responsibilities for all retention ponds and primary canals were transferred from the Roads and Drainage Division to the newly created Stormwater Management Division.

The scope of the audit was limited to a review of the procurement and monitoring of Orange County Public Works' contracted mowing services. In addition, the scope included review of contractors' compliance with the terms of the applicable contracts. The period audited was from October 1, 2013 to September 30, 2014.

In our opinion, Public Works' procurement practices for mowing services are reasonable, appropriate, and provided for fair and open competition. Based on the results of our testing, Public Works' mowing contractors complied with the terms of the contracts. Opportunities for improvement are discussed herein. Specifically, we noted the following:

Key procedures of the prequalification process used for bidding eligibility by the Roads and Drainage Division and the Stormwater Management Division were not consistently applied or documented in writing.

Although discontinued during the audit process, Public Works routinely included a "recommended minimum price per acre" clause for vendors responding to mowing service contracts' Invitation for Bids. However, the rate included was based on past prices awarded and did not factor in the actual costs to provide the services. As such, the inclusion of such information may increase the risk of inflating contractors' bids.

We reviewed five contracts awarded in the 2014 Fiscal Year, noting that each of the contracts included a one-time clean up task rate for the contractor. This one-time task rate was intended to be used for the first contract billing when additional

work was required to bring the areas up to standards. However, in the audit period the use of this task did not require any additional authorization or documentation of special needs.

Recommendations for Improvements were developed and discussed with the Public Works Department personnel, who concurred with our recommendations. As noted in this report, corrective action has begun.

# ACTION PLAN

**PUBLIC WORKS DEPARTMENT'S MOWING SERVICES CONTRACTS REVIEW  
ACTION PLAN**

NO.	RECOMMENDATIONS	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED
1.	We recommend that Public Works, in cooperation with Procurement, establishes written procedures on the mowing services contractor qualification process. These procedures should include when and how vendors apply for prequalification, the procedures and documentation required for determining whether a contractor is qualified, and the term of qualification.	✓			✓	
2.	We recommend Public Works continues to exclude a recommended minimum price per acre clause in Invitations for Bid.	✓			✓	
3.	We recommend Public Works removes the one-time clean up clause in mowing service contracts. If one-time clean up tasks are warranted, appropriate documentation of extenuating circumstances requiring substantially more work should be provided.	✓			✓	



# INTRODUCTION

### Background

The Public Works Department (Public Works) includes the following divisions: Engineering, Traffic Engineering, Highway Construction, Development Engineering, Roads and Drainage, and Stormwater Management. Together these divisions provide for the design, construction, and maintenance of roadways, pedestrian walks, and traffic control devices for the safe, efficient, and effective travel of the residents of Orange County and the general public. This also includes providing for the proper drainage of all the roadways, pedestrian walkways and public and private properties.

Originally, the Roads and Drainage Division personnel conducted all ground maintenance services in-house. Ground maintenance services include mowing, edging, litter removal, brush control, applications of herbicides and pesticides, landscaping, sodding, and tree removal. In 1997, the Roads and Drainage Division began to outsource ground maintenance services, especially mowing services to outside private contractors. Through the years, the Roads and Drainage Division refined its procurement practice and contracting agreements. Currently contractors must be prequalified to bid on new contracts.

Mowing services are a large portion of the total ground maintenance expense of the Department. The three types of mowing contracts outsourced by the Department are:

- Roadway right-of-ways,
- Retention ponds; and,
- Canals and ditches.

“Canals and ditches” are classified as primary or secondary. In October 2013, responsibilities for all retention ponds and primary canals were transferred from the Roads and Drainage Division to the newly created Stormwater Management Division. County personnel mow certain areas under Stormwater Management and some areas are mowed by contractors. Currently, the Roads and Drainage Division manages the mowing contracts for roadway right-of-ways and secondary canals and ditches. In the audit period, the Roads and Drainage Division contracted all mowing services

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for right-of-ways, secondary canals, and ditches to private contractors. However, due to a breach in contract of one contractor for primary and certain secondary canal mowing services, those areas were serviced by County crews for a portion of the audit period.

Both the Roads and Drainage Division and the Stormwater Management Division closely monitor the mowing service contractors through timely communications and inspections. The dates of inspections and photos of inspected areas are recorded and retained to document work performed.

The Roads and Drainage Division Annual Performance and Cost Trend Report Fiscal Year 2012/2013, issued prior to the creation of the Stormwater Management Division, reported the following unaudited data related to mowing service contracts:

Mowing Type	Total Acres Maintained Each Year	Cost per acre	Total Cost (Rounded)
Right-of-Way	24,598	\$61.09	\$1,502,580
Canals & Ditches	2,712	\$131.30	\$356,095
Non MSBU Pond	2,986	\$53.77	\$160,565
MSBU Pond	3,760	\$57.36	\$215,659
Total Annual Cost			\$2,234,899

### Scope, Objectives, and Methodology

The audit scope was limited to a review of the procurement and monitoring of Orange County Public Works' contracted mowing services. In addition, the scope included tests of contractors' compliance with the terms of the applicable contract.

The period audited was from October 1, 2013 to September 30, 2014. Our audit focused on the active mowing service contracts administered by Public Works, and did not include contracts for landscaping maintenance, fertilization, and pest control. The audit objectives were to determine the following:

- The procurement methods used to acquire mowing services were reasonable, appropriate, and provided for fair and open competition.
- Mowing contractors complied with the executed terms of the contracts.

To determine the appropriateness of the method of procurement for mowing services requested, we performed the following procedures:

- Tested a sample of seven mowing contracts selected from 24 active mowing contracts during the audit period. The sample of seven included five contracts from Roads and Drainage and two contracts from Stormwater Management.
- Reviewed responses to the invitation for bids for the sampled contracts, and emergency purchase orders for mowing services issued in the audit period, to determine that the bid and award were in accordance with County regulations.
- Reviewed the prequalification documentation for the sampled contracts in order to determine if the contractors met prequalification requirements prior to the contract award dates.
- Used the Roads and Drainage Division Annual Performance and Cost Trend Report Fiscal Year 2012/2013 in order to compare the reported cost per acre difference of outsourcing the services verses using in-house Public Works maintenance personnel.

To determine whether the contractor complied with the executed terms of the contract, we performed the following:

- Reviewed the terms of each sampled contract to identify performance specifications, and bidding criteria for the selection of the contractor;

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## INTRODUCTION



- Examined and analyzed supporting documentation for all paid invoices applicable to the selected contracts;
- Reviewed the Contractors Daily Completion Reports and applicable Dataworks Inspection Reports in order to verify that all of the locations listed per the contract were maintained by the Contractor and subsequently documented as completed or deficient by the Public Works Inspector;
- Reconciled the total acres listed per the contract to the applicable Delivery Order and Invoice;
- Examined the applicable paid invoices and additional supporting documentation to verify proper payment; and,
- Observed the areas contracted for the seven sampled contracts to confirm that the performance specifications of the contract were met.

## Overall Evaluation

In our opinion, Public Works' procurement practices for mowing services are reasonable, appropriate, and provided for fair and open competition. Based on the results of our testing, Public Works' mowing contractors complied with the terms of the contracts. Opportunities for improvement are discussed herein.

# RECOMMENDATIONS FOR IMPROVEMENT

**1. The County Should Establish Written Procedures for the Contractor Prequalification Process**

The Administrative Services Department's Procurement Division (Procurement) and Public Works have procedures in place to award mowing services term contracts to contractors that includes a prequalification process for bidding eligibility. However, we noted that the Roads and Drainage Division and the Stormwater Management Division did not standardize or have written procedures detailing certain aspects of the prequalification process. Further, the two divisions did not routinely or periodically provide public notice of the requests for qualifications from contractors (prequalification process). The notices of requests for qualifications were made in December 2010, September 2011, April 2013, and June 2014. Up until June 2014, qualifications of contractors continued with the term of their active contracts unless a breach of contract occurred. Active contractors did not need to reestablish qualifications to bid on new contracts issued during the term of the previously awarded contract(s).

Written procurement procedures should establish the prequalification process, including how contractors are qualified, the documentation needed for prequalification evaluation, and the process used to determine and document the contractor's qualification status. In addition, procedures should identify the period of time the qualification status remains valid.

Procurement and Public Works began utilizing the prequalification process as a result of several contractors' past breach of contract due to noncompliance with service performance requirements. We commend Procurement and Public Works for utilizing a prequalification process as part of their efforts to provide a cost effective, fair, and open competition process for awarding mowing contracts. According to Public Works Management the prequalification process has led to a decrease in the number of breach of contract issues with mowing service contractors.

**We Recommend** that Public Works, in cooperation with Procurement, establishes written procedures on the mowing services contractor qualification process. These procedures should include when and how vendors apply for prequalification, the procedures and documentation required for determining whether a contractor is qualified, and the term of qualification.

**Management's Response:**

Concur. In fact, it was confirmed through the Procurement Division that during the audit process these written procedures have already been implemented.

**2. Public Works Should Not Include a Recommended Minimum Bid Clause In Future Invitations for Bids on Ground Maintenance Contracts**

During and prior to the audit period, Public Works routinely included the following recommended minimum price per acre (RMPA) clause for vendors responding to an Invitation for Bids (IFB):

It is our experience that contractors with bid prices lower than \$[amount inserted] per mowing acre have been unable to comply with the contract requirements.

Public Works informed us they included this clause and price per acre to provide bidders with historical data and guidance on the realistic cost to provide mowing services based on past mowing term contracts and the quality of service provided by past contractors.

Following is a summary of the 24 contracts reviewed and whether the actual awarded price per acre was above or below the RMPA.



**RECOMMENDATIONS  
FOR IMPROVEMENT**



	Number of Contracts Awarded	Percentage <sup>1</sup>
First Year Rate Greater than RMPA	14	58%
First Year Rate Less than RMPA	10	42%
Total Contracts Reviewed	24	100%

1 – Subsequent year’s price per acre statistics approximated the first year percentages.

As noted in the chart, approximately 60 percent of the contracts were awarded at rates greater than the RMPA and 40 percent were awarded at rates below the RMPA included in the invitation for bid. As such, there does not appear to be any clear relationship of the bid amount awarded to the RMPA. Also the rate included was based on past prices obtained and did not factor in the actual cost to provide the services.

The inclusion of such information may increase the risk of inflating contractors' bids considering the possibility of improved technology, economies of scale, and reduced overhead. Further, the process could be considered redundant as Orange County Procurement Procedure Manual, Section 7, provides that if a bidder’s response is an inordinately low price that is indicative of a misunderstanding of the scope of services by the proposer, the score given for the price evaluation element may be significantly reduced.

During the course of the audit, we discussed the utilization of a recommended minimum price for proposers with Public Works personnel, and Public Works began removing the RMPA clause from IFBs.

**We Recommend** Public Works continues to exclude a recommended minimum price per acre clause in Invitations for Bid.

**Management’s Response:**

Concur. Public Works has removed the recommended minimum price per acre clause from the mowing services contracts.



**3. One-time Clean Up Tasks Should Be Limited and Authorized Only When Necessary**

We examined five contracts awarded in the 2014 Fiscal Year and noted that each of the contracts included a one-time clean up task rate for the contractor. This one-time task rate was intended to be used for the first contract billing. The use of the one-time task rate did not require any additional authorization or documentation of special needs. The purpose of this task is to adequately compensate the contractor if the grass length or condition of the mowing acreage is such that additional work is needed for the first cycle cut. Wet conditions or lapse in time between the end of one contract and the award of the next makes it possible that the area has not been mowed according to standard cycles (generally, mowing is performed every 4-6 weeks depending on the season). The chart below details the one-time clean up, mowing, and litter pick-up rates as well as the total amount awarded for the contract term.

Contract No.	Contract One-Time Clean Up Rate per Acre	Contract Base Year Mowing Rate/Acre	Contract Base Year Litter Pick-up Rate	Total Amount Authorized for One-Time Clean Up Task	Total Three-Year Contract Award (Lowest Total Bid for All Elements)
Y14-189	\$150	\$69	\$15	\$27,000	\$547,700
Y14-1000	\$398	\$40	\$2	\$99,500	\$524,000
Y14-1001	\$450	\$46	\$3	\$99,000	\$480,025
Y14-1003	\$132	\$132	\$5	\$13,285	\$581,755
Y14-1023	\$65	\$74	\$4	\$16,250	\$872,575

As shown above, in three of the five contracts reviewed, the one-time clean up tasks bid responses and awards, were at rates substantially higher than the mowing rates and litter pick-up rates combined. Further, in two of the five contracts (Contract No. Y14-1000 and Y14-1001), the authorized one-time clean up task was approximately 20% of the total multi-year contract award. We noted the contractor awarded Contract No. Y14-1001 was the same contractor responsible for the same area in the terminating contract. Roads and Drainage Inspector photos taken approximately 45 days apart did not indicate a need for the areas to require

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## RECOMMENDATIONS FOR IMPROVEMENT



additional out-of-the-ordinary effort to mow and clean up. In fact, the contractor mowed the entire 220 acre area in a matter of three days (within normal mowing time guidelines).

It is a generally held belief in contracting that the risk of a contractor's breach of contract later in the term of the contract increases when a significantly disproportionate share of the contract's value is earned early in the contract term. In each of the above cases, the awarded contractor had submitted the lowest bid for the sum total three-years of the contract term.

Good business practices generally call for matching the costs and the payments for services to the contracting term in a proportional manner. This reduces the risk of the County over-paying (front-end loaded payments) a contractor for services in the event of default. While the County still awarded the contracts to the lowest bidder, they did increase the risk that if the contractors subsequently fail/default on the contract (after receiving payment for the one-time clean up task), the County will have paid a higher cost per acre for the incomplete contract.

**We Recommend** Public Works removes the one-time clean up clause in mowing service contracts. If one-time clean up tasks are warranted, appropriate documentation of extenuating circumstances requiring substantially more work should be provided.

### **Management's Response:**

Concur. Public Works has removed the one-time clean up clause in mowing services contracts. Should these one-time clean up tasks be warranted in the future due to extenuating circumstances, Public Works will keep appropriate documentation and work with the Procurement Division on the means to perform these tasks on an as-needed basis only.