

*The  
City  
of  
West Palm Beach*



*"The Capital City of the Palm Beaches"*

**AUDIT COMMITTEE**  
*"A Committee of the City Commission"*  
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**TO:** Honorable Mayor  
and  
Members of the City Commission

**FROM:** Commissioner Kimberly Mitchell, Audit Committee Chairperson

**DATE:** November 19, 2004

**SUBJECT:** Transmittal of Internal Audit Report No. 2005-001  
**AUDIT OF TONY'S TREE SERVICE LOT CLEARING  
CONTRACT**

Attached is the report on **AUDIT OF TONY'S TREE SERVICE LOT CLEARING CONTRACT** approved by the Audit Committee at its meeting held today.

The audit found that documentation prior to the arrival of Todd Hiteshew, Code Compliance Manager, was insufficient to verify billing accuracy or that services performed were consistent with the City's instructions. The changes he made had a steady influence on operations and current billing is in accordance with the agreement.

The report includes a suggestion that the new contract should specifically define "adequate records" and that this also be included in the Invitation to Bid.

Kimberly Mitchell, Commissioner, Audit Committee Chairperson

*"An Affirmative Action/Equal Opportunity Employer"*

# **AUDIT OF TONY'S TREE SERVICE LOT CLEARING CONTRACT**

## **TABLE OF CONTENTS**

	<b>Page</b>
<b>Introduction</b>	<b>1</b>
<b>Conclusions and Summary of Findings</b>	<b>1</b>
<b>Scope and Methodology</b>	<b>2</b>
<b>Background and Pertinent Information</b>	<b>3</b>
<b>Findings, Recommendations, and Responses</b>	<b>6</b>
<b>Finding No. 1: Additional detail on the Lot Clearing Work Order would help prevent misidentification of lots and extent of work requested.</b>	<b>6</b>
<b>Finding No. 2: Bills submitted contain insufficient information to verify that bills by the contractor are accurate.</b>	<b>6</b>
<b>Finding No. 3: Evidence of insurance required by the contract should be current and provided to the Risk Manager.</b>	<b>7</b>
<b>Distribution</b>	
<b>Management's Response</b>	

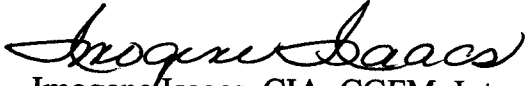
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**TO:** Todd Hiteshew, Code Compliance Manager

**FROM:**   
Imogene Isaacs, CIA, CGFM, Internal Auditor

**DATE:** November 19, 2004

**SUBJECT: REPORT NO. 2005-001**  
**AUDIT OF TONY'S TREE SERVICE**  
**LOT CLEARING CONTRACT**

### **INTRODUCTION**

We have completed an Audit of Tony's Tree Service Lot Clearing Contract. The service consists of mowing, trimming, and trash and debris removal from properties cited by the City's Code Compliance Division.

The purpose of the audit was to determine whether Tony's Tree Service complied with the terms and conditions of the contract for lot clearing services. Specifically, that bills by the contractor were accurate and that the services performed were consistent with the City's instructions. We had noted in previous work, requested by Commissioner Exline, that in one case a property owner was improperly charged and a lien was filed (later removed) on their property for work performed on the wrong property.

### **CONCLUSIONS AND SUMMARY OF FINDINGS**

Historical documentation at both the City and Tony's Tree Service provides inadequate evidence of compliance with contract provisions and, in fact, neither the City nor Tony's seemed to require the other to hold to contract specified pricing. As a consequence of your introduction of City work orders in early 2004 and discussions with Tony's that resulted in reduced charges for invoices from October, November and December 2003,

current billings are in compliance with contract provisions. While documentation at Tony's to support the charges has improved, further improvements can be made.

Based on our test cases, no additional instances of improper charges for work at the wrong property were noted.

Specific areas needing attention are presented under Findings, Recommendations, and Responses and are summarized below.

Finding No. 1: Additional detail on the Lot Clearing Work Order would help prevent misidentification of lots and extent of work requested suggests clarification of assignments and physical markings on cited property.

Finding No. 2: Bills submitted contain insufficient information to verify that charges by the contractor are accurate points out that there is no way to ensure the employee count is accurate or employees were not double counted.

Finding No. 3: Evidence of insurance required by the contract should be current and provided to the Risk Manager.

You are in agreement with our recommendations and have already implemented several corrective measures. You have a plan to address the remainder and have provided us with estimated implementation dates.

We especially thank Sharon Fenn, Code Compliance Clerical Specialist, and Kimbley Hardy-Starke, Secretary and Co-Owner of Tony's Tree Service, Inc., for their assistance during the audit. We thank you and your staff and Tony Hardy, Tony's Tree Service, for the cooperation extended to us during this audit.

This audit was conducted by Scott Craig, CIA, Senior Assistant Internal Auditor. Ken Nielson, CPA, CIA, CISA, Senior Assistant Internal Auditor, assisted with interviews.

## **SCOPE AND METHODOLOGY**

The scope of the audit was from contract execution on March 7, 2002 through May 31, 2004. The total amount billed and processed during the period was \$140,121. The number of lot clearing services spiked significantly during summer 2003 when the Code Compliance Division was without a manager. We reviewed documentation for that period as well as documentation for current jobs. We sampled 31 jobs before and 23 since you joined the City with total payments of \$43,916.

This audit was performed in accordance with generally accepted government auditing standards. In performing this audit, we:

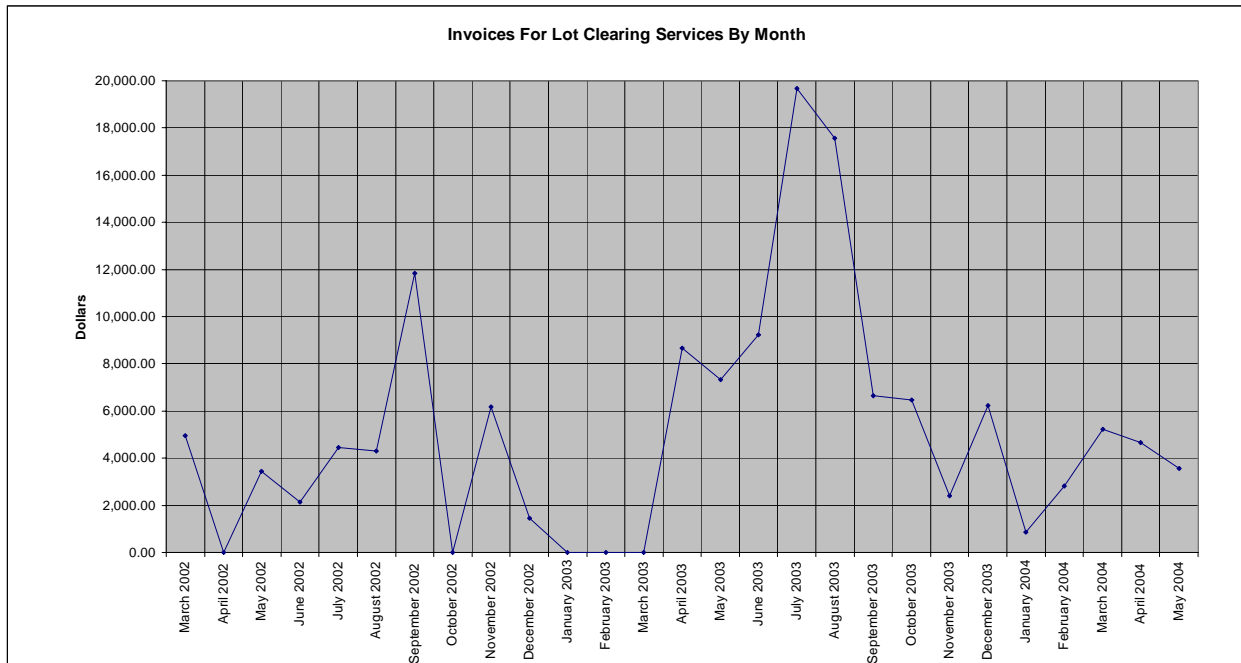
- reviewed Lot Clearing Contract and renewal documentation, Invitation to Bid, and Contractor's Bid;
- reviewed work papers gathered in response to Commissioner Exline's request dated February 26, 2004, for review of a disputed bill;
- met with the Code Compliance Manager to determine the inspecting and authorization process and obtained feedback of his ideas, suggestions, comments, or concerns;
- met with Tony Hardy to determine clean up authorization and notification received and obtained feedback of his ideas, suggestions, comments, or concerns;
- obtained listing of invoices paid under the agreement;
- verified the City is named as additional insured on appropriate insurance;
- tested City documentation pertaining to authorization and communication of work, identification of property, description of work to be performed, inspection after work was performed including before and after photos, determination of labor and equipment reasonableness, and authorization of payment;
- tested Tony's records for names of employees assigned to particular jobs on the specific date, a list of equipment used, specialized equipment requested by the City, and before and after photos; and
- performed such other tests of procedures, practices, and records as deemed necessary.

### **BACKGROUND AND PERTINENT INFORMATION**

Tony's Tree Service is based out of Hobe Sound and does work for South Florida Water Management District, Palm Beach, Martin and St. Lucie Counties, and the City of Port St. Lucie as well as the City of West Palm Beach. Tony Hardy, co-owner, has been in the business for 18 years in this area. There were 52 full time employees during the busy summer season. The business was certified as a City Minority/Woman Business Enterprise (M/WBE) vendor but the certification expired September 30, 2000 according to the Oracle system. The Small Business Program took effect in October 2000 replacing

the M/WBE program and required a vendor's main place of business to be in Palm Beach County.

Code Compliance had been under the Police Department prior to being realigned to fall under the authority of the Mayor's Office with a civilian manager. Mike Maloney was the Code Compliance Manager until June 28, 2003 and you became Manager on December 7, 2003. In the interim, Robert Creston, Code Enforcement Supervisor, was in charge. During the time the Code Compliance Division was without a manager, the number of lot clearing services spiked significantly (see chart below). We decided to review documentation for that period as well as documentation for current jobs.



Documentation at Tony's is not as comprehensive as it is at the City. Before Code Compliance began using work orders, Tony's was notified of a job by phone so they just listed job addresses on a note pad. There is no method to determine which employees were on a particular job, the only record is a weekly roster completed by the supervisor who checks off employees that show up each morning. Consequently, we were unable to audit job billing accuracy.

Supervisors for Tony's have recently begun notating on their copy of the work order the number of men working at each task and the amount of time spent. This is for their purposes to help when billing the City (but still does not indicate employee names). Since work orders have been in place, billings have been in accordance with the method specified in the contract. We were told that supervisors sometime submit to the office a list of the sites they worked on each day. We asked for but were not provided a couple of examples of daily lists of jobs by supervisor.

In general, prior to your arrival, the City's file documentation was sketchy at best. There was nothing in the files to indicate that work had been authorized and communicated; property was occasionally identified by a GIS map but most often only a printout of the PAPA (Property Appraiser's Public Access System) page was included – this was of no help other than to provide the parcel control number in the event a lien became necessary. Before and after photos were usually in the file but many were low quality Polaroids (acceptable under the contract). Billings were based strictly on hourly labor rates rather than type of work performed and it was difficult to determine the reasonableness of charges merely from the photos. In each case, verification of completion of the work was indicated by the Code Enforcement Officer's signature on the invoice and the interim manager authorized payment of the bill.

When you first started, you held up payment of bills for October, November, and December until you and Tony Hardy reviewed them, discussed the charges on several invoices that lacked detail, and negotiated a 40% reduction in the amount billed. Rather than lose a customer, Tony Hardy agreed to reduce the charges. Currently, Tony's is billing in accordance with the agreement and takes a digital photo before and after each assignment and photos of any items requiring extra work that is not specifically mentioned on the work order.

The changes that you made have had a significant steadying influence on operations. You instituted the use of a "Lot Clearing Work Order" to authorize each job. A supervisor signs the work order (that has been filled out by a Code Enforcement Officer) and it is faxed to Tony's Tree Service along with a GIS map. The work order lists the contract rates for various services and the services needed are marked. If there is any question about what is to be done or the location, Tony's is to phone Code Compliance and the Officer will meet them at the site. Tony's submits an invoice along with before and after pictures. The City's new files are standardized, well organized, and complete and are indexed on the computer system to cross reference between CE # (case number) and address.

We asked Tony Hardy what problems he had with the City and he mentioned vague instructions or directions. Faxed work orders from the City for job assignments started early this year and have helped to clear up some of the confusion that had occurred in the past when orders were telephoned in by various code enforcement officers. The work orders require clarification sometimes. For instance, they may say to trim 5 trees but there are 10 trees on the property or there is a street address listed but without a structure there is no way to tell which vacant lot is associated with that address number. We also noted some work orders that just had trim trees checked while others had a number written in the blank. If Tony's crew can't find a site or are unsure of instructions, they call Code Compliance.

## FINDINGS, RECOMMENDATIONS, AND RESPONSES

### **Finding No. 1: Additional detail on the Lot Clearing Work Order would help prevent misidentification of lots and extent of work requested.**

Although the Job Specific Terms and Conditions in the Invitation to Bid specified information to be included on each request for services, work orders were not widely used until early 2004. Requests were to have been completed to specify the following:

1. Square feet to be mowed, trimmed, and cleaned;
2. Number of appliances or pieces of large furniture to be removed;
3. Shrubs to be trimmed;
4. Trash/debris to be removed; and,
5. Other work to be completed.

The use of work orders has been a great improvement in providing detail but there is still occasional confusion regarding the specific lot or foliage to be trimmed. When this happens, the lot clearing crew must phone Code Compliance and wait for the Officer to arrive and clarify the request. Thus cost becomes greater due to waiting time.

#### Recommendation

We recommend that you modify the Lot Clearing Work Order and train Code Enforcement Officers on the level of detail needed to describe the work needed. Also, we recommend that you mark lots, trees, or shrubs with paint, stakes, or tape to physically identify the property and the particular items needing services.

#### Management's Response

The current work order mirrors the services provided under the contract and Tony has been instructed to call us if there are any problems. We will implement the marking of trees/bushes that need trimming with red ribbons by November 15, 2004.

### **Finding No. 2: Bills submitted contain insufficient information to verify that bills by the contractor are accurate.**

Section 6. of the current contract merely requires the contractor to maintain "adequate records" for audit purposes but does not define what constitutes "adequate records." While the most recent bills are clearer on what work has been performed, the contract does not define how work is to be documented and what documentation is to accompany invoices and what documentation is to be retained by the contractor. Consequently, bills do not provide reasonable assurance of accuracy.

For instance, an invoice may bill 8 men at a certain rate for 8 hours at a particular job and 12 men for 6 hours at a certain rate for another job on the same day but, since the employees are not identified (by name or crew), there is no way to ensure the employee count is accurate or employees were not double counted.

#### Recommendation

We recommend you:

- (a) remind supervisors of the responsibility to review invoices for reasonableness of the time spent and number of workers used on a job; and
- (b) define adequate documentation by including in the new contract requirements for recording beginning and ending times and identification of workers (or at least crew chiefs) for each assignment. This also needs to be addressed in the Invitation to Bid.

#### Management's Response

- (a) The bills are currently reviewed to determine if the charges are accurate based on the scope of work.
- (b) The new contract is going out to bid around January/February 2005 and I will work with the Contracts Officer to better define "adequate records" to include start/stop times and personnel performing the job functions.

### **Finding No. 3: Evidence of insurance required by the contract should be current and provided to the Risk Manager.**

We asked for, but were not provided, current insurance certificates as required by section 7 of the contract. They could not be located at Code Enforcement, Risk Management, or Procurement. We attempted to get them directly from Tony's but were unable to contact them subsequent to our field work – they may be out on disaster recovery after the recent hurricanes. The original certificate of coverage in the bid package expired April 4, 2001 and listed Commercial General Liability and Workers' Compensation and Employers' Liability but not Automobile Liability.

These are of little value since they were in effect when the bid closed February 1, 2001 but had expired before the contract was finally executed on March 7, 2002, well over a year later. We discussed the contract with the Contracts Officer at Procurement and were told lot clearing services will be out for bid soon – the current extension will expire at the end of February 2005.

#### Recommendation

We recommend you obtain current certificates of insurance and submit them to the Risk Manager, keeping a copy for your files.

Management's Response


A copy of Tony's general liability and workers compensation insurance has been obtained. A copy has been forwarded to Risk Management and we have retained a copy for our files.

# MEMORANDUM



Code Compliance

To: Imogene Isaacs, Internal Auditor

From: Todd Hiteshaw, Code Compliance Manager 

Date: November 2, 2004

Re: **Audit of Tony's Tree Service Lot Clearing Contract**

- **Finding No. 1: Additional detail on the Lot Clearing Work Order**

The current work order mirrors the services provided under the contract and Tony has been instructed to call us if there are any problems. We will implement the marking of the trees/bushes that need trimming with red ribbons by November 15, 2004.

- **Finding No. 2: Bills submitted contain insufficient information to verify that bills by the contractor are accurate**

(a) The bills are currently reviewed to determine if the charges are accurate based on the scope of work. It is possible that employees are counted more than once on the invoices because the contract and the work order are broken up by tasks rather than a person per hr. basis. For example, you can have the same person trim trees for an hour, trim bushes for an hour, and collect construction debris for a half hour. Based on the contract and the invoice that one person will be on the invoice three times because they performed three tasks.

(b) The new contract is going out to bid around January/February 2005 and I will work with the Contracts Officer to better define "adequate records" to include start/stop times and personnel performing the job functions.

- **Finding No. 3: Evidence of insurance required by contract should be current and provided to the Risk Manager**

A copy of Tony's general liability and workers compensation insurance has been obtained. A copy has been forwarded to Risk Management and we have retained a copy for our files. I have also attached a copy to this memo.