



John A. Carey  
Inspector General

## OFFICE OF INSPECTOR GENERAL PALM BEACH COUNTY



Inspector General  
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*“Enhancing Public Trust in Government”*

# Contract Oversight Report

## CA-2025-0013

### Service Plus Parts Contracts Review

### March 19, 2026

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Insight – Oversight – Foresight



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## SERVICE PLUS PARTS CONTRACTS REVIEW

### SUMMARY

#### WHAT WE DID

The Palm Beach County (County) Office of Inspector General (OIG) Contract Oversight & Evaluations Division (COED) conducted a review of service plus parts contracts for public entities within our jurisdiction. We decided to conduct the review after our office published several reports<sup>1</sup> that identified invoice and payment issues in service plus parts contracts. Those reports prompted us to examine similar contracts used by other public entities in Palm Beach County.

The objective of the review was to:

Assess whether the public entity made payments in compliance with applicable contract terms and obtained detailed invoices or other supporting documentation for the cost of labor and materials.

#### WHAT WE OBSERVED

The public entities we reviewed were divided regarding contract compliance with payment terms and obtaining sufficiently

*We conducted this review to increase awareness of and to lower the potential risk of the improper expenditure of taxpayer dollars due to fraud, inadequate accountability, and/or waste.*

detailed invoices and supporting documentation for the cost of labor and materials.

#### WHAT WE SUGGEST

We suggest that public entities ensure that staff responsible for contract administration are familiar with the contract terms, establish and use a contract management process to ensure compliance with those terms, and obtain appropriate supporting documents prior to the payment of invoices.

In general, best practices for services plus parts contracts involve defining clear, audited, and transparent procedures for invoicing and material markups.

<sup>1</sup> A. Town of Palm Beach, HVAC and Plumbing: [https://pbc.gov/oig/docs/reports/10-03-24-Town\\_of\\_Palm\\_Beach-HVAC\\_and\\_Plumbing\\_Contract-2025-A-0001.pdf](https://pbc.gov/oig/docs/reports/10-03-24-Town_of_Palm_Beach-HVAC_and_Plumbing_Contract-2025-A-0001.pdf); B. Palm Beach County, Air Conditioning Services Contract: [https://pbc.gov/oig/docs/reports/9-6-22-Commercial\\_Cooling-PBC\\_Air\\_Conditioning\\_Services\\_Contractor-2018-0007.pdf](https://pbc.gov/oig/docs/reports/9-6-22-Commercial_Cooling-PBC_Air_Conditioning_Services_Contractor-2018-0007.pdf); and C. Palm Beach County, Electrical Repair: [https://pbc.gov/oig/docs/reports/02-07-22-PBC\\_Electrical\\_Repair\\_Services\\_Contractor-2019-0007.pdf](https://pbc.gov/oig/docs/reports/02-07-22-PBC_Electrical_Repair_Services_Contractor-2019-0007.pdf)

## BACKGROUND

Based on issues identified in prior reports from the OIG's Audit and Investigations divisions, COED initiated a review of service plus parts contracts used by public entities within our jurisdiction. We contacted multiple public entities to request information and/or documents in order to select contract(s) for review.

The period of our review was from October 1, 2022 through September 12, 2024.

COED reviewed contracts and met with the staff administering the contract to verify whether they made payments in accordance with contract terms and if they obtained documentation to support the cost of materials and labor. We reviewed each of the public entity's policies, procedures, and contract administration practices including the invoice and payment process.

## OBSERVATIONS

During our review, we observed that the public entities were divided regarding contract compliance with payment terms and obtaining sufficiently detailed invoices and supporting documentation for the cost of labor and materials.

We found instances where the invoice labor rates matched the contract rates with no disallowable items or charges. In these instances, the contractor complied with the contract for billing, invoicing, and used the allowable cost markup for materials and parts. The supplier invoices were included with the contractor invoice, and the public entity was able to verify the allowable markup.

We also observed non-systemic issues, such as:

- Invoices that included trip charges that were not authorized by the contract.
- Invoices with service rates different than the hourly contract rates.
- Invoices with services not specified in the contract, and at a non-contract rate.
- Invoices that did not itemize the charges and could not confirm that labor and materials were billed at the contract rates.
- Several contracts required the contractor to submit itemized quotes for labor and materials for approval prior to the start of work. However, the work was completed and the invoices paid without first obtaining a quotation. Also, some quotes for labor and materials were not retained with the work order for verification against invoices.
- Multiple contracts existed within one (1) entity for the same services during the same approximate time period. The invoice labor rates did not always match the contract rate.
- Invoices included supporting documentation, but were not sufficiently detailed to verify the material markup rate with the contract.

## WHAT WE SUGGEST

We suggest that public entities ensure that staff responsible for contract administration are familiar with the contract terms, establish and use a contract management process to ensure compliance with those terms, and obtain appropriate supporting documents prior to the payment of invoices.

In general, best practices for services plus parts contracts involve defining clear, audited, and transparent procedures for invoicing and material markups.

We have included additional suggestions for best practices based upon oversight and observations of contract administration.

### **Key Strategies include:**

1. Requiring original supplier invoices for reimbursements.
2. Implementing competitive bidding for parts.
3. Conducting regular audits to verify that reimbursable costs are accurate.

### **Contract Structuring and Transparency:**

1. Definition: When creating a solicitation or writing a service plus parts contract, define "costs" clearly. Costs should be defined as the net price paid by the contractor after all rebates, trade discounts, and special pricing are applied, excluding administrative, overhead, or handling fees.
2. Requiring Invoice Documentation: Submission of the original supplier invoices, receipts, and/or packing slips for parts reimbursement is essential for effective contract administration and should be a mandatory requirement for all invoice submissions. Such documentation helps reduce the risk of improper expenditure of taxpayer dollars due to fraud, inadequate accountability, and/or waste. It should be clearly stated that an invoice without the proper supporting documentation will not be processed, and will be returned to the vendor for correction.
3. Negotiate Markups Carefully; if a markup on parts is permitted:
  - a. Set a parts minimum dollar value (per item and per repair) for miscellaneous parts that are the vendor's responsibility and included in the fixed service rate.
  - b. Set a parts maximum dollar value, above which the cost and purchase of the part is the public entity's responsibility.
  - c. Set a fixed cap to prevent incentivizing the use of expensive parts.
  - d. Require approval before allowing the vendor to order and purchase reimbursable parts.

4. **Scope of Work (SOW):** Detail the exact types of maintenance services required such as preventative, routine, and emergency. Include response times, and any expectations for scheduled maintenance, such as monthly filter changes for Heating, Ventilation, and Air Conditioning (HVAC) units. Include a statement about billing for unapproved fees such as trip fees, fuel fees, etc. A complete SOW can help avert future billing issues.
5. **Related Entities:** Public entities should require contractors to disclose if any subcontractor or supplier is associated with or related to the entity as part of the ownership group, board, or management of the entity responding to the solicitation. Replacement parts should not be ordered from a related entity. The disclosure should be made during the solicitation phase, and be a requirement throughout the life of the contract. This is an important deterrent against fraudulent subcontractor billings.

### **Operational and Financial Controls:**

Some best practices for internal controls that a public entity can employ to better manage repair and maintenance contracts are:

1. **Asset Management:** Maintain a detailed, up-to-date inventory of all equipment, including age, model, and maintenance history. This helps prevent replacing components that may still be under warranty, and assists in establishing the remaining useful lifecycles of the equipment.
2. **Competitive Sourcing:** Require contractors to demonstrate that they shopped for the best price for repair and replacement parts by getting three (3) quotes.
3. **Internal Audits:** Conduct regular audits of invoices versus market prices to ensure the contractor is not inflating material costs.
4. **Performance Metrics:** For maintenance and repair of critical assets, include Key Performance Indicators (KPIs) in the contract, such as uptime percentage and response times, with penalties for non-compliance and, optionally, bonuses for exceeding targets.

### **Procurement and Management:**

1. **Preventive Maintenance Focus:** Prioritize preventative over corrective maintenance to reduce the need for emergency, high-cost parts and emergency or after-hours labor charges.
2. **Contractor Selection:** Choose responsible contractors with documented experience in similar public sector environments with like or similar equipment from the equipment manufacturer.

3. Clear Termination Clause: Include well-defined termination clauses for non-performance or fraudulent billing.
4. Right to Audit and Inspect Records: Include a clause to reserve the entity's right to inspect and audit any records related to the work under contract for the records retention period, as specified by Florida Law.

### ACKNOWLEDGEMENT

The Inspector General's Contract Oversight & Evaluations Division would like to extend our appreciation to the public entities reviewed and their vendors for the cooperation and courtesies extended to us during the contract review process.

*This report is available on the OIG website at: <https://www.pbc.gov/OIG>. Please address inquiries regarding this report to the Contract Oversight and Evaluations Director by email at [inspector@pbc.gov](mailto:inspector@pbc.gov) or by telephone at (561) 233-2350.*