



John A. Carey
Inspector General

OFFICE OF INSPECTOR GENERAL
PALM BEACH COUNTY



Inspector General
Accredited

“Enhancing Public Trust in Government”

Contract Oversight Report

CA-2018-0041

Municipality Contract Monitoring Follow Up Town of Gulf Stream

September 25, 2018



John A. Carey
Inspector General

OFFICE OF INSPECTOR GENERAL PALM BEACH COUNTY

CONTRACT OVERSIGHT REPORT CA-2018-0041

DATE ISSUED: September 25, 2018



Inspector General
Accredited

"Enhancing Public Trust in Government"

MUNICIPALITY CONTRACT MONITORING FOLLOW UP TOWN OF GULF STREAM

SUMMARY

WHAT WE DID

The Office of the Inspector General (OIG) conducted a Contract Oversight Review (Review) in 2014 to assess the contract monitoring policies and procedures for the municipalities in Palm Beach County. As part of the Review, the OIG developed a Contract Monitoring Survey (Survey) to gather insight into the existing contract monitoring programs within the municipalities. The results of the Survey and the on-site sampling were summarized in the Contract Oversight Review Report.¹

The purpose of the Review Report was to provide Palm Beach County municipalities with information to consider when developing a robust contract monitoring policy/procedure.

The Town of Gulf Stream (Town) did not respond to the Survey request. Therefore, the OIG conducted an on-site follow-up to

assess the strength and complexity of the contract monitoring policies and procedures used by the Town.

WHAT WE FOUND

The Town does not have a documented policy or procedure for contract monitoring, and does not have a formal, uniform process for monitoring contracts.

The Town did not comply with section 218.391, Florida Statutes, when selecting an external auditor to conduct the Town's annual financial audit required in section 218.39. As a result, we found **\$189,650.00**² in questioned costs arising from payments to the external auditor for audit services rendered for fiscal years 2005 through 2017.

Finally, we found that the Town does not utilize a risk assessment tool or process in monitoring contracts. The use of an appropriate risk assessment tool could

¹ Contract Oversight Review, 2014-R-0002 issued on March 31, 2014. http://pbcgov.com/oig/docs/reports/03-31-14_Municipality_Contract_Monitoring_2014-R-0002.pdf

² Questioned costs are costs or financial obligations that are questioned by the OIG because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, other agreement, policies and procedures, or document governing the expenditure of funds; a finding that, at the time of the OIG activity, such cost or financial obligation is not supported by adequate documentation; or, a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable. **As such and in this specific case, not all questioned costs are indicative of potential fraud or waste.**

help the Town focus and prioritize monitoring efforts in an efficient and effective manner, help identify potential fraud or abuse, and ensure that Town employees consistently take steps to mitigate or minimize risks in contract management and performance.

WHAT WE RECOMMEND

Our report contains three (3) findings and three (3) recommendations. We recommend the Town:

1. Implement written policies and procedures for contract monitoring that include adequate training of staff

assigned contract management responsibilities and establish clear delineation of contract monitoring duties.

2. Establish an audit committee and follow the audit selection procedures as statutorily prescribed in section 218.391, Florida Statutes.
3. Develop and implement a risk assessment tool and process for contract monitoring.

The Town accepted all three recommendations. The Town's response in its entirety is included as Exhibit B.

BACKGROUND



Town of Gulf Stream

The Gulf Stream community was founded in the 1920s as a planned community centered around the Gulf Stream Golf Club. The Town was chartered in 1925, and eventually grew into a winter resort for the wealthy. In the 2000 census, Gulf Stream ranked as the 11th highest-income locale in the United States. It is estimated that the Town currently has 1,001 residents.

The Town Commission consists of five (5) members, elected at large, who hold office for a term of three (3) years. The Commission selects from among its members a Mayor and a Vice Mayor. The Town Commission Chamber is named for William F. Koch, Jr., who served as the Town's Mayor from 1966 until his death in 2012.

General Principles Regarding Public Procurement

There are three generally accepted phases of public procurement: Pre-Award, Award, and Post-Award. The Pre-Award phase consists of the determination of the agency's needs, the development of the requirements package (technical, business, or regulatory specifications, etc.), and selection of the procurement method. The Award phase consists of the solicitation of vendors/sources, receipt of responses, evaluation of responses, and contract award. The Post-Award phase or contract administration phase includes contract monitoring, ensuring the contractor adequately delivers the contracted goods and/or services, and contract closeout.

Contract monitoring is part of the Post-Award procurement phase. A contract monitoring system is the structure, policies, and procedures used to ensure that the objectives of a contract are accomplished and contractors meet their responsibilities. Contract monitoring activities occur in the following areas, where applicable: quality control process ensuring that products and services meet the agency's expectations, reviewing the delivery schedule, accepting deliverables, gauging the need for contract revisions or change orders, evaluating contractor performance, and assessing the risk of contract failure.

The importance of contract monitoring increases when contracts are of high dollar value and when the terms and conditions of the contract are complex. "Effective monitoring can assist in identifying and reducing fiscal and/or program risks as early as possible; thus, protecting both public funds, ensuring the delivery of required services, and providing timely notification to the provider of areas of noncompliance."³

Municipal Contract Monitoring Follow Up of the Town

The follow-up to the original Review began with the OIG requesting the Town to provide a list of all contracts that were in effect from October 1, 2016 through September 30, 2017. The Town provided us with a list of sixty-one (61) contracts in effect during the review period. The OIG selected a sample of four (4) contracts across several Town departments for review. The contracts selected for review were for audit services, dental insurance for Town employees, lawn maintenance services, and solid waste and recycling services.

We requested and received documents from the Town, including copies of the contracts and any amendments. We reviewed the documents prior to our on-site contract monitoring interviews with the Town's representatives. Due to the small size of the Town, all of the contracts selected were managed by a team that includes the Town Manager, Town Staff Attorney, and other administrative staff. All members of this team were interviewed. The interview questions were based on the original Survey categories set forth below:

- a) Documented policy/procedure for contract monitoring
- b) Contract monitoring
- c) Dedicated file maintenance for each contract
- d) Risk assessment tool

Within these categories, there were additional questions about important components, including degree of staff training, process for dispute resolution, and specific contract monitoring tasks.

³State of Florida Contract and Grant User Guide for the Department of Financial Services, Division of Accounting & Auditing. <https://www.myfloridacfo.com/aadir/docs/ContractandGrantManagementUserGuide.pdf>, 2012, p. 24.

FINDINGS

FINDING (1):

The Town does not have adequate written policies or procedures for contract monitoring.

OIG Review

The Town has no written policies or procedures that specify how Town contracts are monitored over the course of the contract period. Lack of adequate policies and procedures increases the likelihood of Town funds being expended inappropriately.

Town staff manage contracts as a team effort. No particular person is assigned the role of Contract Manager for any of the contracts. While the Town Manager is involved in monitoring all contracts to some extent, the Town lacks clear guidance on the delineation of specific contract management responsibilities amongst Town staff.

Each year, the Town Manager prepares a list of active contracts as a part of the next fiscal year's budgeting presentation for the Town Commission. As new contracts are proposed, the Town Staff Attorney is responsible for reviewing the proposed contracts for legal form and sufficiency prior to the execution of contracts approved by the Town Commission. Once a contract is fully executed, the Town maintains a contract file that contains all material documents that relate to the contract.

Generally, the Town's contract monitoring practices includes a member of the Town's staff reviewing contract deliverables and verifying that services were provided as specified on an invoice. The Town Manager approves invoices for payment. However, these practices are not documented in a written policy, and the Town does not have a manual that is used to train staff on the delineation of specific contract management responsibilities; the goals/objectives, processes/procedures, or requirements for effective contract monitoring; or appropriate techniques for conflict resolution. If an issue arises with the contracted services, Town staff attempt to resolve concerns with the Contractor.

Though the Town staff interviewed are knowledgeable regarding the terms of the four (4) contracts we reviewed, the Town would be at risk in the event of staff turnover, which could disrupt the continuity of current contract monitoring practices. New staff may lack the knowledge and experience to adequately or effectively monitor the Town's contracts. "Trained and competent personnel are the most important ingredients in successful contract monitoring."⁴

A written policy provides a plan or course of action and generally includes delegated authorities granted to staff by the Town Commission, as well as, limitations or prohibitions. A contract monitoring policy serves as a guide to staff to ensure a consistent, effective, and efficient contract monitoring process.

⁴ Elisabeth Wright and William Davison, *Contract Administration in the Public Sector*, Second Edition (NIGP: The Institute for Public Procurement, Revised 2011), p. 61.

Likewise, established documented procedures provide detailed, specific direction to agencies and personnel to ensure clarity, consistency, and quality control in the monitoring program. A written procedure includes the specific methods used to implement the policy in day-to-day operations. Procedures specify the steps and tools used in the monitoring process, and methods of communicating monitoring results. Procedures generally include, but are not limited to, staff roles and responsibilities, contract correspondence, reports detailing monitoring efforts, documentation of contract administration actions and decisions, contract completion activities, guidance on handling disputes, and professional development of staff. In addition, procedures clarify for those in monitoring roles what is expected of them while conducting on-site visits/desk reviews and interacting with contractors. Simply stated, procedures detail what is to be done, by whom, when, and how it is to be accomplished and documented.

FINDING (2):

The Town employed an external auditor to conduct its annual financial audit using procedures that were inconsistent with the applicable requirements in section 218.391, Florida Statutes, and as amended thereafter, and with the contract documents.

OIG Review

The Town has no ordinances, resolutions, or manuals governing its procurement practices, delegating any purchasing authority to Town staff, or setting forth requirements for competitive solicitation or exemptions.

Auditor Services- 2000-2005

The Town issued a Request for Proposal (RFP) for audit services on May 1, 2000. The Instructions to Proposers in the RFP stated,

TERM

The term of the audit relationship is expected to be three (3) years commencing with the fiscal year ending September 30, 2000.

LEGAL REQUIREMENTS

4. This request for proposal shall be included and incorporated into the final award.

The RFP published for potential proposers and the public did not include any renewal options.

The Minutes of the August 11, 2000 Regular Meeting and Public Hearing held by the Commission state:

IX. Items for Commission Action.

A. Selection of an outside Town Auditor

Town Manager Garrison advised that the Auditor Selection Committee, composed of Mayor Koch, William Thrasher and herself, had reviewed all six proposals and held interviews with three firms. The Committee recommended the firm of Nowlen, Holt & Miner due to their competitive rates and ability to meet the Town's needs.

Commissioner Lynch moved and Commissioner Orthwein seconded that the firm of Nowlen, Holt & Miner be selected as Auditor for the Town.

Nowlen, Holt & Miner submitted an engagement letter to the Town's Mayor and Commissioners dated August 12, 2000 (2000-Engagement Letter), confirming the understanding that it would provide services to the Town for fiscal years ending September 30, 2000, 2001, and 2002. Although the RFP, which was incorporated into the final award provided that the audit engagement was expected to be for just three years, the 2000-Engagement Letter stated that it could be extended at the option of the Town for an additional three year period.

We are mindful that public bodies have wide discretion in soliciting and accepting bids and proposals for goods and services; however, such discretion should not be used to negotiate terms that omit or alter material provisions in the RFP or add provisions not contemplated by the RFP. Materially deviating from the RFP could damage public confidence in the fairness of the process or affect the agency's ability to receive comparable proposals addressing the actual needs of the agency. Generally, duration is an essential term of an agreement. If the Town contemplated renewal of the auditing services contract, it should have been so stated in the request for proposals, which was expressly incorporated into the final award.

Based upon our discussions with the Town and our review of the Town's general ledger vendor payment details, it appears that the Town continued to employ Nowlen, Holt & Miner after the completion of the September 30, 2002 audit. The Town, however, did not provide our office with a signed engagement letter, Meeting Minutes, or other document to demonstrate that the Town exercised the option to extend the audit engagement for fiscal years ending September 30, 2003, 2004, and 2005.

Auditor Services- 2005-2010

Prior to the completion of the audit for fiscal year ending September 30, 2005, the Town staff submitted a second engagement letter dated May 20, 2005, to the Town Commission. The June 10, 2005, Commission Meeting Minutes state:

IX. Items for Commission Action.

.....

B. Letter of Understanding for Audit Services

Town Manager Thrasher explained that this is a letter of understanding from the current auditor, Nowlen, Holt & Miner PA, to provide audit services for fiscal years 2005 to 2010. The Town Manager stated that they have provided the town with excellent services and he recommends that the town enter an agreement with them. He added that there is a new rule beginning July 1, that if there is no contract for auditing, it would be necessary to request proposals beginning in 2006, and thus cost the town more money.

Commissioner Lynch moved and Commissioner Devitt seconded to approve entering into an agreement with Nowlen, Holt & Miner PA, and to authorize the Mayor to execute the agreement.

The four Commissioners present in person or via telephone voted in the affirmative.

The engagement letter dated May 20, 2005 (2005-Engagement Letter), does not purport to be an extension of the 2000-Engagement Letter or an award arising out of the 2000 RFP. The new 2005-Engagement Letter confirmed Nowlen, Holt & Miner PA's understanding of the scope of services for fiscal years ending September 30, 2005, 2006, and 2007, and included an option to extend the contract for the fiscal years ending 2008, 2009, and 2010.

At the time that the Town Commission approved the 2005-Engagement Letter, section 218.391, Florida Statutes (2001) read:

(2) The governing body of a charter county, municipality, special district, charter school, or charter technical career center shall establish an auditor selection committee and auditor selection procedures or use the procedures outlined in subsection (3). The purpose of the committee and the procedures is to contract with an auditor to conduct the annual financial audit required in s. 218.39. [Emphasis added]

The Town did not provide our office with any documentation showing that the governing body of the Town established an auditor selection committee and used Town procedures or used the procedures outlined in subsection (3) of section 218.391 to select the audit firm to conduct the annual financial audit required in section 218.39. Therefore, the engagement for fiscal years ending 2005 through 2010 was not in compliance with state law.

Additionally, the Town did not provide us with any documents to demonstrate that the Town exercised the option to extend the audit engagement for fiscal years ending September 30, 2008, 2009, and 2010. Nevertheless, Nowlen, Holt & Miner completed

audits for fiscal years ending 2008 through 2010 as confirmed by invoices or general ledger vendor payment details.

Auditor Services- 2010-2013

On August 13, 2010, the Town Commission voted to continue using Nowlen, Holt & Miner, P.A. The Meeting Minutes state,

IX. Items for Commission Action.

.....

C. Proposed Agreement for Auditing Services- Nowlan [sic], Holt & Miner
Mr. Thrasher said that our contract with our Auditors, Nowlen, Holt & Miner, P.A will expire soon September 30, 2010 and this agreement is a continuation of their services through the year 2013. He said Mr. Randolph has reviewed the contract for legal sufficiency and the Auditor has not added to the contract fee. Commissioner Wheeler moved and Commissioner Anderson seconded to accept Mr. Thrasher's recommendation to renew the contract for Auditing Services with Nowlen, Holt & Miner, P.A. There was no further discussion. All voted AYE.

Nowlen, Holt & Miner, P.A. provided the Town Commission with a new engagement letter dated September 21, 2011 (2011-Engagement Letter)—more than one year after the Commission's vote to continue using the external audit firm. The (2011-Engagement Letter) states,

We are pleased to confirm our understanding of the services we are to provide the Town of Gulf Stream, Florida for the years ended September 30, 2011, 2012, and 2013. This contract is being renewed in accordance with Florida Statutes 218.391 sub-sections (7) and (8) in their entirety.

At the time of the 2011-Engagement Letter, section 218.391(2), Florida Statutes (2005), which had been amended effective July 1, 2005 read,

(2) The governing body of a charter county, municipality, special district, district school board, charter school, or charter technical career center shall establish an audit committee. Each noncharter county shall establish an audit committee that, at a minimum, shall consist of each of the county officers elected pursuant to s. 1(d), Art. VIII of the State Constitution, or a designee, and one member of the board of county commissioners or its designee. The primary purpose of the audit committee is to assist the governing body in selecting an auditor to conduct the annual financial audit required in s. 218.39; however, the audit committee may serve other audit oversight purposes as determined by the entity's governing body. The public shall not be excluded from the proceedings under this section. [Emphasis added]

The House of Representatives Staff Analysis of HB 349 noted that the bill revised the requirements governing the selection of auditors to perform fiscal audits required by

section 218.39(1), required the use of audit committees, and amended the process for selecting and contracting with audit firms. The statutory revisions removed the municipality's ability to use auditor selection procedures of its own choosing, added language specifying responsibilities of the audit committee, and set forth a uniform set of minimum requirements for auditor selection.

Subsection (3) requires the audit committee to:

- a) Establish factors to use for the evaluation of audit services.
- b) Publicly announce requests for proposals.
- c) Provide interested firms with a request for proposal (RFP). The RFP must include information on how proposals will be evaluated.
- d) Evaluate proposals received.
- e) Rank and recommend firms to the governing body.

The 2005 revision also added subsections (7)-(8), which state:

(7) Every procurement of audit services shall be evidenced by a written contract embodying all provisions and conditions of the procurement of such services. For purposes of this section, an engagement letter signed and executed by both parties shall constitute a written contract. The written contract shall, at a minimum, include the following:

- a) A provision specifying the services to be provided and fees or other compensation for such services.
- b) A provision requiring that invoices for fees or other compensation be submitted in sufficient detail to demonstrate compliance with the terms of the contract.
- c) A provision specifying the contract period, including renewals, and conditions under which the contract may be terminated or renewed.

(8) Written contracts entered into pursuant to subsection (7) may be renewed. Such renewals may be done without the use of the auditor selection procedures provided in this section. Renewal of contracts shall be in writing. [Emphasis added]

Despite the assertion in the 2011-Engagement Letter that it was a renewal of the 2005-Engagement Letter, as permitted by section 218.391(7)-(8), such assertion was improper because the 2005-Engagement Letter did not meet the requirements outlined in that subsection 7. Specifically, the 2005-Engagement Letter did not contain a provision requiring that invoices for fees or other compensation be submitted in sufficient detail to demonstrate compliance with the terms of the contract. Additionally, the 2005-Engagement Letter did not contain a provision specifying that the contract period allowed for renewals to include 2011, 2012, and 2013. Instead, the 2005-Engagement Letter expressly said the term would end September 30, 2010. Accordingly, the Town was required to use the auditor selection procedures provided in section 218.391 prior to

selecting and contracting with an external auditor to conduct the Town’s annual financial audit

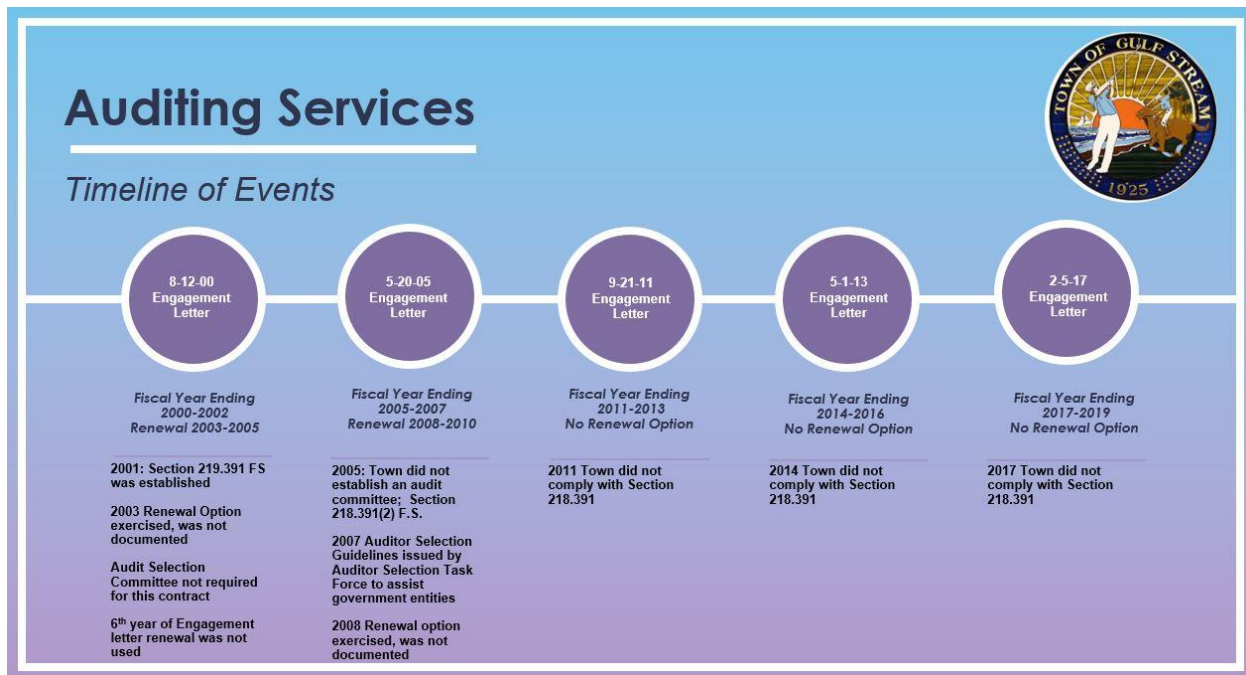
Auditor Services- 2014-2017

Similarly, the Town did not use the auditor selection procedures provided in section 218.391 prior to executing the audit engagement letter for annual audit services dated May 1, 2013 for fiscal years ending September 30, 2014, 2015, and 2016, and the audit engagement letter dated February 21, 2017, for fiscal years ending September 30, 2017, 2018, and 2019.

Therefore, the amount paid to Nowlen, Holt & Miner for audit services for fiscal years 2005 through 2017 totaling **\$189,650.00** is considered questioned costs because the Town did not comply with applicable provisions of section 218.391. Exhibit A includes the detail of all payments made by the Town to Nowlen, Holt & Miner during this period.

Figure 1, Auditing Services Timeline of Events below, includes each engagement letter/contract, the term of the engagement letter, and if the engagement letter included a renewal option. It also indicates when the Town should have complied with section 218.319, FS.

Figure 1: Auditing Services Timeline of Events



FINDING (3):

The Town's Contract Management team does not utilize a risk assessment tool/model or process in monitoring contracts. Therefore, staff resources available for contract monitoring are not focused in the most efficient and effective manner.

OIG Review

Most government entities have limited resources. Available resources should be used efficiently and effectively in order to maximize positive outcomes. We understand that the Town is small in size and does not manage a large number of high dollar contracts. The use of an appropriate risk management tool could help the Town focus and prioritize monitoring efforts, help identify potential fraud or abuse, and ensure that Town employees consistently take steps to mitigate or minimize risks in contract management and performance.

Generally, a risk assessment tool should be designed to take into account the type of contracts and risks specific to the type of contracts being monitored. There are commonalities in a risk assessment tool, such as, the dollar value of the contract and the complexity of the scope of services, but there are important differences depending upon the type of contract being considered. For example, in a construction contract, the degree of innovation in the design and products being used could be key risks, while in a contract for solid waste and recycling services, the staff qualifications and experience may be critical.

One sample of a risk assessment model is incorporated within a contract monitoring plan guide developed by the State of Florida, Department of Financial Services. As stated in the guide, "the monitoring plan is the strategy or action plan developed to manage the risk of nonperformance of the services required by the agreement and/or the noncompliance with applicable laws rules, and regulations, as well as those specific requirements stated in the agreement."⁵ The monitoring plan includes the following steps:

Steps to Develop a Contract Monitoring Plan

1. Identify current agreements
2. Conduct risk analysis
3. Develop monitoring procedures
4. Determine sampling and testing procedures
5. Determine monitoring documentation requirements
6. Identify how results will be reported

⁵ State of Florida Contract and Grant User Guide for the Department of Financial Services, Division of Accounting & Auditing. <https://www.myfloridacfo.com/aadir/docs/ContractandGrantManagementUserGuide.pdf>, 2012, Chapter 5.

The Department of Financial Services Guide further expounds upon the first two steps above as follows:

1. Identify Current Agreements

All current agreements need to be identified to ensure that a risk analysis is conducted on every agreement.

2. Conduct Risk Analysis

Determine the criteria to be applied in assessing the level of risk. The identified level of risk associated with each agreement will assist in determining the frequency of monitoring, what specific areas of the agreement are to be monitored (objective of the monitoring), and how it is to be monitored. The risks identified are the basis for the development of the monitoring program. Some of the factors to be considered in determining risk include:

- Total dollar amount of the agreements;
- Complexity of services;
- Risks to clients and citizens;
- Provider's experience and expertise;
- Provider's past performance;
- Recipient or sub-recipient determination;
- Program fiscal requirements.

This is just an example of a risk assessment tool designed for contract managers to utilize for contracts. What works for one contract or jurisdiction may not work for another, so careful consideration should be given to the development of criteria to be used so that they are effective for the Town.

RECOMMENDATIONS

(1) Implement written policies and procedures for contract monitoring that include adequate training of staff assigned contract management responsibilities and establish clear delineation of contract monitoring duties.

At a minimum, the policy and/or procedure should address the following components:

(a) Use a Contract Monitoring Plan

An effective plan will identify, but not be limited to, the following: an analysis of risk factors, the scope of review, staff assigned, date(s) of review, schedule, tools/guides, type of monitoring procedures and processes for conducting monitoring, corrective action plans and documentation of results.

(b) Use a Standardized Monitoring Guide

The consistent use of a standardized and comprehensive guide provides consistency throughout the monitoring process.

(c) Address Corrective Action Plan

A clearly defined procedure will detail when corrective action plans are required; how they are to be developed; how and where to record them in contract files; how they are to be reported to the appropriate staff; and the process of following up on them.

(d) Address Resolution of Vendor Disputes

A clearly defined procedure(s) that outlines steps taken to resolve vendor disputes in a timely manner will help to minimize the risk that the contract being monitored will fall short of its goals and objectives.

(e) Address Monitoring Staff Training and Qualifications

The reliability and validity of the monitoring results are contingent upon appropriately trained monitors who also meet the qualifications for knowledge, skills, and ability.

(f) Address Access and Storage of Contract Documents and Files

A standard file format developed and implemented for the layout of contract documents, correspondence, monitoring reports, outcome reports and checklists provide uniformity in contract files and ease of review by management.

(g) Address Closing Out Contracts

Formal written procedures ensure that important administrative, contractual and program elements are not overlooked when closing out contracts.

The Office of Inspector General recognizes that each municipality has different operating capacities. As a small municipality, the Town of Gulf Stream had an expense budget of

\$7,410,877⁶ for fiscal year 2017. While the Town contracts for a small number of services, it is still critical that the Town implement a thorough contract monitoring policy/procedure and process.

To provide clear direction to Town staff, a best practice for the Town is to also establish written purchasing policies and procedures that include spending thresholds with solicitation requirements, signature authority and direction on contract renewals or extensions.

(2) Establish an audit committee and follow the audit selection procedures as statutorily prescribed in section 218.391, Florida Statutes.

The Town Commission should establish an audit committee and direct the audit committee to comply with the requirements specified in section 218.391.

We suggest that the Town review the “Auditor Selection Guidelines” prepared by the Florida Auditor Selection Task Force issued in 2007. These guidelines provide suggestions from audit committee composition and size to use and elements of audit services contracts.

Competition is the central theme in public procurement, and “every government procurement practice should therefore have two co-equal objectives: seizing the power of free markets to generate the best products and the best prices, and ensuring the fairness and impartiality of the procurement process.”⁷

(3) Develop and implement a risk assessment tool and process for contract monitoring.

Use of a risk assessment tool allows the governmental entity to focus its resources on contracts that potentially have a higher risk of implementation issues. Staff resources are limited, so a risk assessment tool can be useful, for example, to determine which contracts should be monitored using a site visit versus those that can be monitored through a desk review.

⁶ Town of Gulf Stream Financial Statements with Independent Auditor’s Report: Fiscal Year Ended September 30, 2017.

⁷ National Association of State Procurement Officials. State and Local Government Procurement: A Practical Guide. 2nd Edition, Lexington: NASPO, 2015. p.32

RESPONSE FROM MANAGEMENT

On September 21, 2018, the Town of Gulf Stream Staff Attorney provided a response to the report (Exhibit B). The response stated, in part:

On behalf of Town Manager Greg Dunham and the Town of Gulf Stream, please accept this response to your on-site review of the Town's contract monitoring policies and procedures and the above referenced Contract Oversight Report letter dated September 17, 2018. After an in-person meeting with members of your office including Inspector General John A. Carey and reviewing your letter, the Town accepts your three recommendations as further explained below.

Your recommendations were that the Town:

1. Implement written policies and procedures for contract monitoring that includes adequate training of staff assigned contract management responsibilities and establish clear delineation of contract monitoring duties.
2. Establish an audit committee and follow the audit selection procedures as statutorily prescribed in section 218.391, Florida Statutes.
3. Develop and implement a risk assessment tool and process for contract monitoring.

ACKNOWLEDGEMENT

The Inspector General's Contract Oversight staff would like to extend our appreciation to the Town of Gulfstream for the cooperation and courtesies extended to us during the contract oversight process.

This report is available on the OIG website at: <http://www.pbcgov.com/OIG>. Please address inquiries regarding this report to the Office of Inspector General by email at inspector@pbcgov.org or by telephone at (561) 233-2350.

EXHIBIT A

CA-2018-0041 Town of Gulf Stream Municipality Contract Monitoring Follow Up
Calculation of Questioned Costs based on payments to
Nowlen, Holt & Miner, PA. by Fiscal Year End

FYE	Check payments issued by the Town									Total
2005	\$800	\$1,700	\$2,000	\$5,500	\$2,000	\$1,050				\$13,050
2006	\$7,000	\$3,000	\$3,450							\$13,450
2007	\$11,000	\$2,850								\$13,850
2008	\$4,350	\$2,000	\$2,100	\$2,100	\$3,700					\$14,250
2009	\$1,950	\$8,000	\$3,200	\$1,500						\$14,650
2010	\$1,250	\$3,000	\$8,000	\$2,800						\$15,050
2011	\$2,350	\$2,000	\$9,100	\$1,600						\$15,050
2012	\$1,570	\$7,600	\$4,680	\$1,200						\$15,050
2013	\$4,550	\$6,300	\$1,800	\$1,100	\$1,300					\$15,050
2014	\$2,345	\$2,000	\$2,500	\$1,440	\$860	\$1,400	\$2,860	\$745	\$900	\$15,050
2015	\$1,550	\$1,500	\$5,400	\$4,500	\$1,100	\$1,000				\$15,050
2016	\$2,990	\$7,300	\$1,260	\$3,500						\$15,050
2017	\$1,350	\$2,000	\$4,500	\$6,000	\$1,200					\$15,050
Questioned Cost Grand Total										\$189,650

FYE represents the fiscal year audited. For example, the FYE 2005 represents the audit period October 1, 2004 - September 30, 2005. The services typically would be completed in fiscal year 2006 for FYE 2005 audit. The expenditures noted above are categorized by FYE audit.

EXHIBIT B



TOWN OF GULF STREAM
PALM BEACH COUNTY, FLORIDA

September 21, 2018

Tiffany Thomas, Contract Oversight Specialist
Office of Inspector General
P.O. Box 16568
West Palm Beach, FL 33416

Re: Contract Oversight Report, CA – 2018-0041, Municipality Contract Monitoring Follow Up

Dear Ms. Thomas,

On behalf of Town Manager Greg Dunham and the Town of Gulf Stream, please accept this response to your on-site review of the Town's contract monitoring policies and procedures and the above referenced Contract Oversight Report letter dated September 17, 2018. After an in-person meeting with members of your office including Inspector General John A. Carey and reviewing your letter, the Town accepts your three recommendations as further explained below.

Your recommendations were that the Town:

1. Implement written policies and procedures for contract monitoring that include adequate training of staff assigned contract management responsibilities and establish clear delineation of contract monitoring duties.
2. Establish an audit committee and follow the audit selection procedures as statutorily prescribed in section 218.391, Florida Statutes.
3. Develop and implement a risk assessment tool and process for contract monitoring.

This time last year, you and I corresponded regarding the Town's desire to enact a formal procurement policy. Pursuant to the discussions during our in-person meeting, the Town believes such a policy could benefit from the incorporation of post-award policies, such as the contract monitoring you suggest.

When the Town next decides to procure auditing services, we will follow the Florida Statute in effect. We note that the original procurement was performed properly with an audit selection committee under the then-existing Florida Statute, and that the Town understood the resulting

contractual relationship to be subject to renewal upon mutual agreement of the parties. The original terms of the RFP were ambiguous and we believe could be interpreted to allow the renewals that you have marked as questioned costs. We do appreciate your clear note in bold that "in this specific case" the questioned costs are not indicative of fraud or waste. That can be seen by an initial procurement following the law, and the price staying very reasonable for the duration of the relationship between the Town and auditors. In addition to accepting this recommendation, we also accept your comment and agree that because the Town contemplated renewals of the contact, it should have been much clearer in the RFP documents.

Finally, the Town has reviewed specific examples of risk assessment tools provided to us by you and your office, and believe these materials will be useful. However, what works for one contract or municipality will not always work for another, so we are giving careful consideration to the development of criteria to be used.

Sincerely,



Edward C. (Trey) Nazzaro, Esq.
Staff Attorney
Town of Gulf Stream