



John A. Carey
Inspector General

OFFICE OF INSPECTOR GENERAL PALM BEACH COUNTY



Inspector General
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“Enhancing Public Trust in Government”

Audit Report

2025-A-0001

**Contract between the Town of Palm
Beach and John C. Cassidy Air
Conditioning & Plumbing, Inc. for Bid
No. 2018-54 HVAC & Refrigeration
Maintenance and Replacement**

October 3, 2024



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AUDIT REPORT 2025-A-0001

DATE ISSUED: OCTOBER 3, 2024



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CONTRACT BETWEEN THE TOWN OF PALM BEACH AND JOHN C. CASSIDY AIR CONDITIONING & PLUMBING, INC. FOR BID NO. 2018-54 HVAC & REFRIGERATION MAINTENANCE AND REPLACEMENT

SUMMARY

WHAT WE DID

We conducted an audit of the contract between the Town of Palm Beach (Town) and John C. Cassidy Air Conditioning & Plumbing, Inc. (Contractor) for Bid No. 2018-54 HVAC & Refrigeration Maintenance and Replacement (Contract). This audit was performed as part of the Office of Inspector General (OIG), Palm Beach County 2023 Audit Plan.

Our audit focused on Contract activities, invoices, and payments from December 11, 2018 to October 26, 2023.

WHAT WE FOUND

We found the Town had generally adequate controls to effectively manage the Contract and related activities; that the Town properly approved invoices; and that the Town documented receipt of services that were invoiced.

However, we found the Town paid the Contractor for HVAC and refrigeration repair and replacement services that lacked documentation required by the Contract. As a result, we could not verify that those payments were in compliance with the Contract's terms and conditions.

Our audit identified **\$182,198.27** in questioned costs¹ for paid invoices that lacked documentation required by the Contract and **\$358.00** in identified costs² for one (1) duplicate invoice paid by the Town.

WHAT WE RECOMMEND

Our report contains one (1) finding and four (4) recommendations. Implementation of the recommendations will assist the Town in the strengthening internal controls and help the Town ensure compliance with contract requirements.

¹ Questioned costs can include costs or financial obligations incurred pursuant to: a potential 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, not all questioned costs are indicative of potential fraud or waste.

² Identified costs are costs that have been identified as dollars that have the potential of being returned to the entity to offset the taxpayers' burden.

The Town concurred that paid invoices lacked documentation required by the Contract.

The Town accepted recommendations 1, 2, and 4. Regarding Recommendation 3, the Town stated that it will be taking an

alternative corrective action, which we deemed acceptable.

We have included the Town's management response as Attachment 1.

BACKGROUND



The Town of Palm Beach, Florida, was originally created under the general laws of the State of Florida on April 17, 1911. The municipality continued to operate and function under the special and general laws of Florida until a Charter was granted by Chapter 7863, Special Acts, Laws of Florida, 1917, whereby a new municipality was created. The Town of Palm Beach is located on a barrier island in the eastern part of Palm Beach County.

The Town has a Mayor and five (5) Council members who are elected for two (2) year terms. The Town Council shall, elect one of its members as President and another as President Pro Tem. The Town Council has all powers, legislative and judicial. The executive powers of the Town are vested in the Mayor, the Town Council, and the Town Manager. The Mayor does not have voting powers except to break a tie vote, but does have the power to veto any ordinance or resolution adopted by the Council and acts as Town Ombudsman.

The Town Manager is the Town's Chief Administrative Officer. The Town Manager is responsible to the Town Council for the administration of the day-to-day activities for the Town and for all Town officers and employees. The Town of Palm Beach population in 2021 was estimated to be 9,251, plus an estimated 15,000 seasonal residents from November to May.

On December 11, 2018, the Town awarded Bid No. 2018-54 to the Contractor for a term of twelve (12) months in the amount of \$121,225 for fiscal year 2019 with the option to renew upon mutual agreement, and established a five-year contract budget of a total of \$675,165 contingent upon funding in future fiscal years. The contract was renewed for fiscal years 2020, 2021, 2022, and 2023. Effective October 1, 2023, the Town and the Contractor extended the Contract on a month-to-month basis until the Town awards a new contract for the HVAC Maintenance and Replacement.³

The OIG 2023 Annual Audit Plan included contracts/agreements audits. We selected the Town of Palm Beach for audit because it has received limited audit coverage, with only management requested audits performed by the OIG. We selected the Town's contract for HVAC & Refrigeration Maintenance and Replacement based on the increased risk identified in recent OIG investigations of time and material contracts.⁴

³ As of the date of this report, the Town stated it was finalizing the draft for a new solicitation for HVAC Maintenance and Replacement services. The Town stated there were two (2) prior solicitations which did not result in a contract.

⁴ OIG reports 2019-0007 PBC Electrical Repair Services Contractor https://www.pbcgov.com/oig/docs/reports/02-07-22-PBC_Electrical_Repair_Services_Contractor-2019-0007.pdf and 2018-0007 Commercial Cooling: PBC Air Conditioning Services Contractor https://pbcgov.com/oig/docs/reports/9-6-22-Commercial_Cooling-PBC_Air_Conditioning_Services_Contractor-2018-0007.pdf

OBJECTIVES, SCOPE, AND METHODOLOGY

The overall objectives of the audit were to determine whether:

- The controls were adequate to effectively manage the Contract and related activities;
- Invoices were properly documented, and approved to avoid possible fraud, waste, and abuse; and;
- Payments were for services received and in compliance with the Contract.

The initial audit scope included, but was not limited to, Contract activities, invoices, and payments from December 11, 2018 to October 26, 2023.

The audit methodology included but was not limited to:

- Completion of data reliability and integrity assessments of related computer systems;
- Review of policies, procedures, and related requirements;
- Completion of process walk-throughs and a review of internal controls related to the management of the Contract and related expenditures;
- Interview of appropriate personnel;
- Review of records, reports, contracts, and agreements; and
- Detailed testing of selected transactions.

As part of this audit, we completed a data reliability assessment for the financial computer system used by the Town to process the Contractor's invoices and record expenditures and payments. We determined that the computer-processed data contained in that system was sufficiently reliable for the purposes of the audit.

This audit was conducted 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.

FINDING AND RECOMMENDATIONS

Finding (1): The Town paid invoices that lacked documentation required by the Contract for HVAC and refrigeration repair and replacement services.

The Contract for Invitation to Bid No. 2018-54, HVAC & Refrigeration Maintenance and Replacement between the Town and Contractor, states,

GENERAL CONDITIONS, INSTRUCTIONS AND INFORMATION FOR BIDDERS

...

18. PAYMENT

Payment will be made by the TOWN after commodities/services have been received, accepted and **properly invoiced as indicated in contract** and/or order. **Invoices must bear the order number.** Terms of payment are net 30 days after services have been completed and accepted. **Invoice must reflect purchase order number.** [Emphasis added]

...

31. PRICING

The Town requires a firm price for the contract period. Invoices will be checked to confirm compliance with quoted pricing. Failure to hold prices firm through the entire contract term will be grounds for contract termination.

32. METHOD OF ORDERING

An annual Blanket Purchase Order shall be issued for these services. **Invoices** shall be submitted monthly after completion of services specified in this contract and **shall refer to the Purchase Order Number and the appropriate item number.** Invoices shall be submitted to the Town of Palm Beach, Finance Department, and Accounts-Payable. [Emphasis added]

...

HVAC & REFRIGERATION MAINTENANCE AND REPLACEMENT SPECIAL TERMS AND CONDITIONS

...

1. TOWN CONTRACT COORDINATOR

The Town of Palm Beach shall designate a Contract Coordinator who shall act on behalf of the Town with respect to monitoring contractor performance under this contract.

The administration of this contract is vested in the Contract Coordinator. The Contract Coordinator shall have complete authority to require the Contractor to comply with all provisions of this Contract. However, the provisions of this Contract shall not be altered, waived or revoked by the Contract Coordinator.

...

The Contract Coordinator principal duties shall be:

- A. Liaison with Contractor.
- B. Coordinate and approve all work under the contract.
- C. Resolve any disputes.
- D. Assures consistency and quality of Contractor's performance.

- E. Schedule and conduct Contractor performance evaluations and document findings.
- F. **Review and approve for payment all invoices for work performed or items delivered.** [Emphasis added]

...
**HVAC & REFRIGERATION MAINTENANCE AND REPLACEMENT
SCOPE OF SERVICES**
...

2-4 DESIGNATED PERSONNEL
...

8. Written Estimate of Labor and Materials Required Prior to Commencing Work

The Contractor shall submit a written estimate of the time and materials anticipated to be incurred in the performance of the additional requested work to the Contract Coordinator or his designee, and obtain written authorization and approval prior to commencing work. There shall be no additional charges for travel time to the facility where the service is to be performed. [Emphasis added]

...

12. Parts and Materials

Payments for parts, material and equipment will be paid based on a “Cost Plus” price. **A copy of the Contractor’s invoice from his supplier for such parts and materials shall be submitted with the Contractor’s invoice for payment.** Invoices for parts, materials, and labor shall indicate a description of the location at which the work was performed. [Emphasis added]

...

14. Work Tickets

The Contractor shall prepare a work ticket in duplicate for each service call request. The original copy of the work ticket order shall be delivered to the Facilities Maintenance Division Manager Contract Coordinator or his designee within one (1) week after completion of the service call. The Contractor shall retain the duplicate work ticket for his record. The work ticket shall include the following minimum information: [Emphasis added]

- a. Name of contractor
- b. Date of service
- c. Make and model, serial number of equipment, if applicable
- d. Location of equipment
- e. Description of services performed
- f. List of parts replaced, if applicable
- g. Signature of service representative

h. Signature of department representative receiving the service

...

**HVAC & REFRIGERATION MAINTENANCE AND REPLACEMENT
REFRIGERATION PREVENTATIVE MAINTENANCE**

Requirements for preventative maintenance are as follows but not necessarily limited to the following:

...

REFRIGERATION PREVENTATIVE MAINTENANCE

...

VI. UNIT REPLACEMENT

In case that a need will arise for immediate replacement of any units, **the Town will request three competitive quotations be obtained by the maintenance contractor for any subcontracted services and material orders prior to the execution of the work.** The cost of replacement should include markup and labor. Contractor shall provide necessary material, tools and equipment to do the replacement. [Emphasis added]

...

**HVAC & REFRIGERATION MAINTENANCE AND REPLACEMENT
BID PROPOSAL PAGE-ALTERNATE PRICES**

...

Labor Rates

Item	Personnel Title	Unit	Standard Hourly Rate	Premium Hourly Rate
1	Journeyman (Licensed)	Hour	\$85.00	\$125.00
2	Apprentice	Hour	\$80.00	\$115.00
3	Helper	Hour	\$55.00	\$75.00

Materials, Supplies & Equipment

Provide markup from suppliers cost. Copy of invoice from supplier must be provided. [Emphasis added]

COST PLUS MARKUP <u>30%</u>

Amendment No. 1 to the Contract, effective July 1, 2020, stated,

The Town shall pay the Contractor an amount not to exceed \$95.00 per service call. In addition, the Town hereby agrees to pay any previous and/or pending service call invoice(s) resulting from this contract, at the pricing specified herein.

We performed data analysis on the population of invoice transactions paid to the Contractor to identify high risk invoices for detailed testing. The data analysis procedures analyzed invoice transaction characteristics such as invoice date, check date, amount, purchase order, and description to identify invoices that were unusually high in amount, for overlapping service periods, or potentially billed or processed out of compliance with the Contract's terms and conditions. We selected 56 paid invoice transactions, totaling \$206,930.27. One (1) of the invoice transactions was a compilation of 49 fiscal year 2019 and 2020 invoices, totaling \$58,531.17. Therefore, the final sample consisted of 104 paid invoice transactions. We reviewed the invoice, purchase order, approvals, and supporting documentation of each transaction to determine if the invoices were properly documented and approved to avoid possible fraud, waste, and abuse and for services received and in compliance with the Contract.

Our testing of the 104 sample paid invoices, totaling \$206,930.27, noted the following exceptions where invoices and supporting documentation provided to us did not comply with the Contract and/or lacked sufficient information for us to determine whether the service, parts, and materials billed to the Town were in compliance with the Contract:

Exception Type	Exceptions		Questioned Costs ⁵	
	Count	Amount	Count	Amount
Work Ticket Not Provided – 79 invoices billed for service calls or repairs ⁶	79	\$114,708.50 ⁷	79	\$114,708.50
Supplier Invoice(s) Not Provided – 47 invoices billed for parts, materials, or equipment	47	\$50,639.02	20	\$46,587.02
Written Estimate for Labor and Material or Quotes for Unit Replacement Not Provided – 64 invoices billed for additional labor and/or materials ⁸	64	\$162,252.02	1	\$7,063.50
Purchase Order Not Documented on Invoice or	72	\$160,310.77	11	\$13,358.25

⁵ To avoid duplication, exceptions were only counted once to determine identified and questioned costs.

⁶ The remaining 25 (104 – 79) invoices were for preventative maintenance and equipment rentals, which did not require a work ticket. If the invoice and supporting documentation did not differentiate between labor and parts, the entire amount was noted as an exception.

⁷ The total exception amount for “Work Ticket Not Provided” excludes the amounts billed for parts, materials, and equipment, when specified on the invoice.

⁸ The remaining 40 invoices (104 – 64) were for preventative maintenance or initial service calls which did not require a written estimate or quotes.

Incorrect Purchase Order Number Referenced				
Invoice Not Approved by the Contract Coordinator	1	\$11,639.00	0	\$0.00
Invoice Lacked Sufficient Information (date of service/preventative maintenance period, itemized parts and labor costs, or hours worked)	34	\$72,851.00	1	\$481.00
Total	297⁹	\$572,400.31	112¹⁰	\$182,198.27

Due to the lack of supplier invoices, we could not determine if the Contractor invoiced the Town for the actual cost of parts, materials, and equipment that it installed or if the markup invoiced to the Town was in compliance with the Contract.

Due to the lack of sufficient information on invoices, we could not determine the amounts that were attributable to labor and parts, and therefore, if the Contractor invoiced the Town in compliance with the Contract terms for labor rates; cost of parts, materials, and equipment; or markup.

We considered the 112 exceptions, totaling **\$182,198.27**, questioned costs because the invoices lacked information or supporting documentation required by the Contract.

We also identified one (1) invoice in the amount of **\$358.00** which was included twice in the invoice transaction for the 49 fiscal year 2019 and 2020 invoices, and is considered an identified cost.

We tested a separate sample of 83 invoice transactions out the 104 invoice transactions tested above to verify that the payments to the Contractor were for services received and in compliance with the Contract. We verified that the Town documented receipt of the services billed by the Contractor, and that the service address documented on the invoice was a location included in the Contract. However, we were not provided with any work tickets, and the Contractor's employee information was not included on invoices. Therefore, we could not verify if the employee's skill level corresponded to the rate billed on the invoice for 80 invoices totaling \$165,019.52.

In August 2023, during our process walk-through, the Town personnel administering the Contract told us that they receive a work ticket and estimate from the Contractor after an issue is diagnosed. They also informed us that the Contractor changed the format of its invoices in fiscal year 2023, which made it difficult for the Town to differentiate between a work ticket and an invoice submitted by the Contractor.

⁹ The count of exceptions is higher than the number of invoices tested because we noted multiple exceptions for some invoices.

¹⁰ The count of questioned costs is higher than the number of invoices tested because some invoices have questioned costs attributable to both exceptions "Work Ticket Not Provided" and "Supplier Invoice(s) Not Provided."

In December 2023 and March 2024, we requested the work tickets, supplier invoices, and written estimates or quotes associated with our sample of invoices. In late March 2024, we met with Town personnel to discuss the outstanding records, and the Town personnel stated that they will need to contact the Contractor to obtain the records.

In April 2024, Town personnel administering the Contract provided us with the Contractor's purchase orders as the supplier invoice documentation we requested. We informed the Town that the purchase orders provided were generated by the Contractor, and that a supplier invoice required by the Contract would have originated from the manufacturer or retailer of the part, material, or equipment. We also provided the Town with a sample supplier invoice. At the same meeting, the Town informed us that there are few to no written estimates because the decision to make a repair is usually communicated verbally and made immediately, and that the replacement of equipment "may have" a written estimate.

In July 2024, the Town informed us that they were unable to obtain the outstanding records from the Contractor. In August 2024, the Town told us that it requested the supplier invoice documentation from the Contractor in accordance with Section 119.0701(2)(a), Florida Statutes, and the Contract. The Contractor stated it did not have the records. The Contractor did not transfer to the Town or maintain public records required to perform the service, as required by the Contract. The Town's management decided not to pursue the matter further.

Although, the current and prior Town Contract Coordinators overseeing this Contract attended the contract administration training that resulted from the recommendation in OIG report 2020-0001 Johnson Controls, Inc. Billing Issues¹¹ issued in September 2020, it appears they did not have a process in place to ensure that documentation was obtained as required by the Contract.

Additionally, the Contract did not require that invoices or written estimates be itemized by labor, parts, materials, equipment, and markup; or that those items be sufficiently detailed to verify labor rates charged or identify the specific quantity and price of parts, materials, and equipment billed. And the Contract did not require that work tickets provide the title of the personnel that performed the work to allow the Town to verify the labor rates billed on the invoice were accurate.

There is an increased risk for errors, fraud, waste, and abuse when the contractual requirements that establish internal controls are not followed and enforced. Without the work tickets, supplier invoices, and written estimates and quotes, the Town cannot ensure that the amounts it reported was paid to the Contractor were accurate, and reduces the transparency of its expenditure of public funds.

¹¹ https://pbcgov.com/oig/docs/reports/09-22-2020-JCI_Palm_Beach_Final_Report-2020-0001.pdf

Recommendations:

- (1) The Town ensure that the Contract Coordinator for the remainder of this Contract, and for all time and materials contracts, is knowledgeable of the documentation required to be submitted by the Contractor when invoicing the Town for services, parts, materials, and equipment, and does not approve for payment any invoices that do not comply with the Contract requirements.
- (2) The Town implement a checklist of required documentation for the Contract Coordinator to use when reviewing invoices for payment for the remainder of this Contract, and for all time and materials contracts.
- (3) The Town ensure that future time and materials contracts require that invoices and written estimates be itemized by labor, parts, materials, equipment, and markup, and include sufficient detail to verify labor rates charged, hours worked, and the quantity and price of parts, materials, and equipment billed, if the contract specifies acceptable labor rates and costs. Additionally, the Town ensure future contracts require that work tickets include the title of the personnel that performed the work, if specific labor rates by skill level are specified by the contract.
- (4) The Town consider recouping the \$358.00 paid to the Contractor for a duplicate invoice.

Management Response Summary:

The Town concurred that paid invoices lacked documentation required by the Contract for HVAC and refrigeration repair and replacement services but disagreed with the characterization of the subject expenditures as “questioned costs.”

[IG comment: As defined in the OIG’s Policies and Procedures and Inspector General Act of 1978, “questioned costs” can include costs or financial obligations incurred pursuant to: a potential violation of a provision of a law, regulation, contract, grant, cooperative agreement, other agreement, policies and procedures....” By this definition, the subject expenditures are considered questioned costs.]

Management accepted recommendations 1, 2, and 4. For Recommendation 3, the Town stated its Legal Counsel opined that those Contract requirements “were excessively stringent,” and that it will be taking an alternative corrective action, which we deemed acceptable.

**SUMMARY OF POTENTIAL FINANCIAL AND OTHER BENEFITS
IDENTIFIED IN THE AUDIT**

Questioned Costs

Finding	Description	Questioned Costs
1	Invoices that lacked documentation required by the Contract.	\$181,717.27
1	Invoice that lacked sufficient information.	\$481.00
	TOTAL QUESTIONED COSTS	\$182,198.27

Identified Costs

Finding	Description	Identified Costs
1	Duplicate invoice paid.	\$358.00
	TOTAL IDENTIFIED COSTS	\$358.00

ACKNOWLEDGEMENT

The Inspector General's audit staff would like to extend our appreciation to the Town of Palm Beach's staff for their assistance and support in the completion of the audit.

This report is available on the OIG website at: <https://www.pbcgov.com/OIG>. Please address inquiries regarding this report to the Director of Audit by email at inspector@pbc.gov or by telephone at (561) 233-2350.

ATTACHMENT

Attachment 1 – The Town of Palm Beach's Management Response

ATTACHMENT 1 – TOWN OF PALM BEACH'S MANAGEMENT RESPONSE



TOWN OF PALM BEACH

Town Manager's Office

September 30, 2024

TO: John Carey
Inspector General
Palm Beach County

FROM: Kirk W. Blouin
Town Manager

RE: Town of Palm Beach – Management Response to Audit Report 2024-A-XXXX

The Town of Palm Beach welcomes the review of business practices as we see this as an opportunity to provide an additional layer of accountability to our residents. We also see audits as opportunity to review our business models and continue the pursuit of best practices. The Town agrees with the four recommendations that you have put forth.

I have reviewed the draft report with our Finance, Public Works and Procurement staff and offer our response as follows:

1. The Audit Report states that there is one (1) finding and four (4) recommendations; however, the report appears to include two (2) findings and four (4) recommendations.
2. Management disagrees that the Town's controls are only "generally adequate" and further disagrees with the characterization of \$182,198.27 in expenditures as "questioned costs."
3. Management disagrees with the characterization of subject expenditures as "questioned costs." The Audit Report does not allege that the Town did not receive what it paid for, that it was overcharged, or overpaid for the services received. The Audit Report merely states that some of the contractually required documentation was missing. It should be pointed out that anywhere from 3-4 staff members reviewed each invoice prior to final approval for payment. The Town has multiple steps for approval of invoices within the financial software, Tyler Eden that include the project coordinator, division manager, department head and finance. In every instance, staff members verified that the invoiced work was performed, the parts were installed, and the service was performed satisfactorily. The Audit Report does not find and correctly does not allege that the Town failed to receive the goods and services that it paid for, but that some documentation wasn't as thorough as it could have been.

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Pg. 2

Our response to the Recommendations are as follows:

1. Recommendations 1 and 2: Management accepts and intends to implement the subject recommendations. The Town will be updating training for Contract Management for internal staff that are the respective project coordinators. We have had great success with our internal trainings to date and want to build on that success.
2. Recommendation 3: Legal counsel opined that the documentary requirements for invoicing under the Contract were excessively stringent and overly burdensome. Accordingly, legal counsel recommended that the Town cease using a "cost plus" methodology for future time and materials contracts so that the cost of both can be more easily and accurately documented, as it impractical to require a technician in the field to provide supplier cost plus profit information on invoices.
3. Recommendation 4: Management agrees that an invoice for \$358.00 was paid twice and has requested a refund for the second payment from the Contractor, John C. Cassidy Airconditioning & Plumbing.