



Public Works Department – Public Buildings Division

Security Guard Contract Audit - #870

Executive Summary

Why CAO Did This Review

Pursuant to Section 5.10 of the Charter of the City of Jacksonville and Chapter 102 of the Municipal Code, we conducted an audit of the security guard contract overseen by the City's Public Buildings Division of the Public Works Department. Our audit did not include the portion or separate contracts for security guard services overseen by the Public Library, the Parks, Recreation and Community Services Department, or the Sheriff's Office.

The City and the vendor executed the contract for security guard services on February 7, 2018. The City piggybacked on the contract that JEA had competitively procured, which is authorized by Section 126.211 of the Municipal Code and allows the City to utilize the contracts of other governmental entities which have been competitively procured and awarded. The security guard contract that was the focus of our audit expired on September 30, 2022. The City and the vendor agreed to a new security guard contract effective October 1, 2022. During FY 2021/22, the Public Buildings Division paid the vendor \$2.3 million, of which \$1.1 million was within our audit scope.

What CAO Found

Overall, payments from the City's Public Buildings Division to the vendor for security guard services were properly supported, accurately calculated, and correctly authorized. However, we did find issues with timeliness during the first half of our audit scope. Other issues noted included:

- There were documentation retention issues with payrate and staffing schedules.
- The billing rate for one position was overstated and resulted in overbilling of approximately \$2,000.
- Security guards working in excess of the maximum amount allowed in a 24-hour or 48-hour period per the contract.
- The Public Buildings Division was not being notified of terminations of security guards as required by the contract.

What CAO Recommends

Based on what we found, we recommend that the Public Buildings Division:

- Ensure payments are processed in a timely manner as required by state law.
- Retain applicable documentation to ensure payments are properly supported and question amounts when there are discrepancies.
- Communicate the issue with the billing rate and be more careful reviewing future CPI (consumer price index) adjustment calculations.
- Needs to be reviewing hours worked by security guards to ensure they are consistent with the contract.
- Needs to ensure it is properly being notified of terminations and periodically should check to verify that only current security guards have badge access to City Buildings.



Council Auditor's Office

**Public Works Department – Public Buildings Division
Security Guard Contract Audit**

February 13, 2023

Report #870

Released on: June 14, 2023

EXECUTIVE SUMMARY

AUDIT REPORT #870

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OFFICE OF THE COUNCIL AUDITOR
Suite 200, St. James Building



February 13, 2023

Report #870

Honorable Members of the City Council
City of Jacksonville

INTRODUCTION

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The City and the vendor executed the contract for security guard services on February 7, 2018. The City piggybacked on the contract that JEA had competitively procured, which is authorized by Section 126.211 of the Municipal Code and allows the City to utilize the contracts of other governmental entities which have been competitively procured and awarded. The security guard contract that was the focus of our audit expired on September 30, 2022. The City and the vendor agreed to a new security guard contract effective October 1, 2022. During FY 2021/22, the Public Buildings Division paid the vendor \$2.3 million of which \$1.1 million was within our audit scope as described below in the Scope and Methodology section.

The vendor is responsible for providing security services at locations designated by the City. The services include:

- monitoring and controlling access to protected areas,
- assessing and responding to threatening situations,
- investigating and documenting security-related incidents,
- performing security checks and patrols,
- inspecting incoming and outgoing property, and
- other security services.

The Public Buildings Division is responsible for administering the contract which includes:

- maintaining correspondence between the City and the vendor,
- working with applicable occupants to evaluate and determine the level of security needed for each location,
- ensuring that each location is being sufficiently staffed with security guards,
- monitoring the quality of security services being provided, and
- reviewing and approving invoices for payment.

The focus of our audit was on reviewing and approving invoices for payment. The vendor creates an invoice for each location that covers a two-week period. If the City holds an event that requires security services, an invoice is created for each event. Every two weeks the vendor sends the batch of invoices for the prior two-week period to the Public Buildings Division. The Public Buildings Division reviews and approves the invoices in the City's procurement module of the City's financial system.

STATEMENT OF OBJECTIVE

To determine whether payments from the City's Public Buildings Division to the vendor for security guard services were properly supported, accurately calculated, correctly authorized, and timely paid.

STATEMENT OF SCOPE AND METHODOLOGY

Our population included all invoices processed by Public Buildings Division for security guard services within the audit scope period of October 1, 2021, through March 31, 2022.

During the preliminary phase of the audit, we obtained and reviewed the security guard contract. We conducted interviews with relevant Public Works staff to understand the processes surrounding the security guard contract. We also observed relevant processes and reviewed relevant information system controls.

For the detailed testing phase of the audit, we obtained a listing of all invoices and payments within the audit scope. Within the audit scope period, the Public Buildings Division processed payments to the vendor totaling \$1,104,880.24 related to 362 invoices. We then requested and obtained all applicable supporting documentation for the payments from the Public Buildings Division. The supporting documentation included:

- invoices,
- copies of attendance forms which detailed the days and hours that each security guard worked,
- copies of the contract payment checklists completed and signed by Public Buildings Division staff,
- support for the dates that the Public Buildings Division received the invoices,
- the schedule of hourly rates for the positions and equipment, and
- the Public Buildings Division's schedule of the security guard staffing levels for each location.

We tested all 362 invoices to verify that the supporting documentation was proper and accurate and that the applicable payments were correctly authorized and paid in a timely manner. For each invoice and payment, we:

- Recalculated the total hours and amount charged to ensure accuracy.
- Compared the invoiced position and equipment rates to the pay rate schedule to verify the correct rates were being used.

- Compared the total amount charged for each invoice to the corresponding payment amount to confirm the amounts matched.
- Verified that the invoices were reviewed for accuracy and approved by applicable Public Buildings Division staff.
- Verified the invoices were receipted by authorized personnel.
- Verified the invoices were approved for payment by authorized personnel in the City's Accounting Division.
- Confirmed the invoices were received and paid in a timely manner.

Supplemental Testing Performed

We also analyzed the attendance forms attached to each invoice to identify any potential issues. Specifically, we:

- Confirmed that each location was properly staffed by comparing the shifts listed on the attendance forms for each invoice to the Public Buildings Divisions' staffing schedule.
- Reviewed the hours each security guard worked to ensure that security guards did not work too many hours in a specific period of time that exceeded the contract parameters and did not have any overlapping shifts on the attendance forms at the same or different locations.

REPORT FORMAT

Our report is structured to identify Internal Control Weaknesses, Audit Findings, and Opportunities for Improvement as they relate to our audit objective(s). Internal control is a process implemented by management to provide reasonable assurance that they achieve their objectives in relation to the effectiveness and efficiency of operations and compliance with applicable laws and regulations. An Internal Control Weakness is therefore defined as either a defect in the design or operation of the internal controls or is an area in which there are currently no internal controls in place to ensure that management's objectives are met. An Audit Finding is an instance where management has established internal controls and procedures, but responsible parties are not operating in compliance with the established controls and procedures. An Opportunity for Improvement is a suggestion that we believe could enhance operations.

STATEMENT OF AUDITING STANDARDS

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDITEE RESPONSES

Responses from the auditee have been inserted after the respective finding and recommendation. We received these responses from Steven D. Long, Director of the Public Works Department, in a memorandum on June 12, 2023.

AUDIT CONCLUSION

Overall, payments from the City's Public Buildings Division to the vendor for security guard services were properly supported, accurately calculated, and correctly authorized. However, we did find issues with timeliness during the first half of our audit scope.

AUDIT OBJECTIVE

To determine whether payments from the City's Public Buildings Division to the vendor for security guard services were properly supported, accurately calculated, correctly authorized, and timely paid.

Internal Control Weakness 1 – Documentation Retention Issues

The Public Buildings Division did not have processes in place to retain certain documentation related to the contract. We found multiple instances where the Public Buildings Division did not properly maintain documentation of payrate support. The rate billed for three positions did not match the rates listed for the positions in the FY 2021/22 pay rate schedule. Each of these three positions were billed at lower rates. These positions were on 13 out of 362 (3.6%) invoices tested, all of which were related to the Ed Austin Building location (State Attorney's Office). The Public Buildings Division stated that these positions have always been paid at these lesser rates, but they did not have any documentation that explained why.

Additionally, during our testing to verify that staffing on the invoices lined up with the staffing schedules, the Public Buildings Division was unable to provide documentation to support staffing level changes related to 6 locations on 70 different invoices. Without the schedules being retained, the Public Buildings Division did not have a reliable way to make sure there were not over or understaffing issues.

Recommendation to Internal Control Weakness 1

We recommend that the Public Buildings Division implement written policies and procedures to keep all records of their communications with the vendor that result in any changes in pay rates and staffing schedules.

Additionally, the Public Buildings Division should compare the staffing schedules to the timesheets to ensure staffing schedules are being followed. If there are discrepancies, the Public Buildings Division needs to work with the building occupants and the vendor to address. All

schedule changes agreed to by building occupants and the vendor need to go through the Public Buildings Division since they review and approve the invoices and oversee the contract.

Auditee Response to Internal Control Weakness 1

Agree Disagree Partially Agree

Public Buildings will implement a Standard Operating Procedure (SOP) to specify the documentation that must be maintained in division contract records to demonstrate compliance with all contract terms. This includes support for payrates, staffing schedules and all communications with the vendor and other contract users regarding the same.

Public Buildings has already initiated a reconciliation process, which includes meeting regularly with all contract users to discuss expectations and deficiencies. These meetings are documented and details are retained in the files. This information is then used to ensure invoices are paid accurately and according to contract terms.

Finding 1 – Timeliness Issues with Payments

We found that out of 362 invoices tested, 76 (or 21%) of the invoices were not paid within 45 days of the invoice being received. Florida Statute Section 218.74 requires the City to process the payments within 45 days of receipt of a proper invoice. It is important to note that the 76 invoices processed late were all in the first three months of our six-month audit scope. This does show there was improvement made over the audit scope.

Recommendation to Finding 1

We recommend that the Public Buildings Division continue to process payments in a timely manner as they did during the second half of our audit scope.

Auditee Response to Finding 1

Agree Disagree Partially Agree

Public Buildings will continue the process of reconciling invoice data and meeting with all contract users, as needed to resolve issues, so invoices can be paid on a timely basis.

Finding 2 – Incorrect Rate for One Security Guard Position

We found that the hourly rate billed for one security guard position was incorrect since October 1, 2019. The improper rate occurred because one position incorrectly received a 3.6% increase even though the Consumer Price Index (CPI) increase was only 1.8% per the contract terms. As a result, the City overpaid approximately \$2,000.

Recommendation to Finding 2

We recommend that the Public Buildings Division communicate that an incorrect rate was being charged and request that the rate be fixed. The Public Buildings Division needs to ensure that it is carefully reviewing any future rate changes for CPI.

We also recommend that the City look into whether any corrective action is needed to recover the amount lost due to the incorrect rate.

Auditee Response to Finding 2

Agree Disagree Partially Agree

Going forward, Public Buildings will carefully review and re-calculate all CPI increases, and any other rate changes, that may be approved on the contract. This review will be documented in the contract files.

The overpayment was communicated to the vendor and a credit has been received.

SUPPLEMENTAL ISSUES

The items below were outside the scope of our audit but came to our attention while we were performing preliminary survey and detail testing.

Supplemental Finding 1 – Inappropriate Security Guard Hours Worked

For 25 out of the 362 (6.9%) invoices tested, we found a total of 11 security guards worked more than 16 hours in a 24-hour period or more than 24 hours in a 48-hour period. The contract requires that security guards work no more than 16 hours in a 24-hour period and that security guards work no more than 24 hours in a 48-hour period. Per the contract, exceptions may be made, with written approval, by the contract manager. Across the 25 invoices, there was a total of 30 instances where the hours worked thresholds were violated based on the attendance forms.

Recommendation to Supplemental Finding 1

We recommend that the Public Buildings Division review invoices and attendance forms to ensure the vendor is following contract provisions and that security guards are working appropriate hours. Additionally, the City should consider having the vendor provide the detail by security guard in addition to just by location so that it could more easily identify any issues. If there are exceptions that need to be made, then they should be clearly documented with support retained.

Auditee Response to Supplemental Finding 1

Agree Disagree Partially Agree

Public Buildings will continue the process of reconciling invoice data and meeting with all contract users, as needed to resolve issues, so invoices can be paid on a timely basis.

Public Buildings will request invoice data by guard and location so additional review can be performed more easily.

Supplemental Finding 2 – Security Guard Termination Notice Issues

The contract states that, “the contractor is required to communicate any change in security force member employment (termination, resignation, or termination for cause) for any of their personnel assigned to the account. This notification must be made to the Contract Manager and be issued no later than the end of the business day of the event. The vendor is required to retain proof of notification until the contract manager has confirmed the receipt of the communication.” The Public Buildings Division did not require the vendor to report or communicate all resignations and terminations of security guards directly through their division.

We were informed by the Public Buildings Division that notification of changes in employment was only occurring for security guards with an access badge. Furthermore, the notification was being communicated to the City’s Information Technologies Division, not the City’s contract manager in the Public Buildings Division as required by the contract. We performed testing to verify that all security guards with badge access were still employed by the vendor. We found that 1 out of 55 (2%) guards tested were no longer employed by the vendor (approximately six months). Badge access was removed after we brought this to the Public Buildings Division attention.

Recommendation to Supplemental Finding 2

We recommend that the Public Buildings Division require the vendor to notify them of all terminated or resigned employees regardless of their badge access.

We also recommend that the Public Buildings Division periodically send a list of security guards (with and without active badge access) to the vendor to verify that they are still employed.

Auditee Response to Supplemental Finding 2

Agree Disagree Partially Agree

Public Buildings initiated a process which requires the vendor to provide monthly attestation of certification and licensure, departures, drug testing, and new hires.

We appreciate the assistance and cooperation we received from the Public Works Department throughout the course of this audit.

Respectfully submitted,

Kim Taylor

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Council Auditor

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