Financial Services – Major Project Procurement Process Audit

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Police Training Facility

Fire Training Facility

North 1 West UEP – Contract 3

Report Issued

February 14, 2025

Audit Report No. 24-08

City of Cape Coral
City Auditor's Office

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Cape Coral, FL 33915-0027
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TO: Mayor Gunter and Council Members

FROM: Andrea R. Russell, City Auditor

DATE: February 14, 2025

SUBJECT: 24-08 Financial Services – Major Project Procurement Process Audit

The City Auditor's Office conducted a performance audit of the procurement process for major projects. This audit was included in the City Auditor's FY24 approved Audit Plan. The audit was conducted in conformance with Generally Accepted Government Auditing Standards by the authority granted through City Ordinances 28-02 and 79-10.

We would like to express our sincere appreciation to Financial Services, the Procurement Division, and City department management and staff for the courtesy, cooperation, and proactive attitude extended to the team members during the audit. If you have any questions or comments regarding this audit, please contact Andrea Russell at 242-3380.

C: Michael Ilczyszyn, City Manager
Connie Barron, Assistant City Manager
Mark Mason, Interim Assistant City Manager
Aleksandr Boksner, City Attorney
Kimberly Bruns, City Clerk
Crystal Feast, Interim Finance Director
Wanda Roop, Procurement Manager
Mike Russell, Acting Fire Chief
Anthony Sizemore, Chief of Police
Matt Williams, Public Works Director
William Corbett, Assistant Public Works Director
James Breakfield, Assistant Public Works Director
Joe Petrella, Parks and Recreation Director
Sharon Woodberry, Economic Development Manager
Audit Committee

FINANCIAL SERVICES - MAJOR PROJECT PROCUREMENT PROCESS AUDIT

Issued February 14, 2025

Objectives

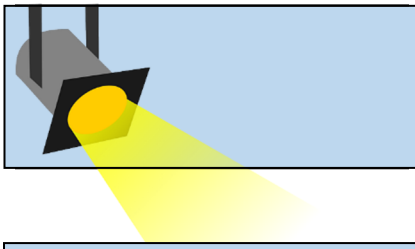
To determine if the major project procurement process is efficient, transparent, and complies with applicable laws, regulations, and City policy and procedures.

To determine if technology is used to its fullest extent by all City Departments and vendors to enhance integrity, efficiency, and transparency of the procurement process, and ensure consistency and validity of procurement information and data.

To identify opportunities to improve the efficiency and effectiveness in the procurement process for major projects.

Background

The Procurement Division manages the City's procurement process for major projects by coordinating the issuance of solicitations, managing contract negotiations, and awarding of contracts for major projects including construction, and design services. The start of any major project begins with Council approval of design and construction services on the consent agenda.



REPORT HIGHLIGHTS

WHY THIS MATTERS

The City of Cape Coral is one of the fastest growing municipalities in Florida. As the population continues to grow, the City will need to undertake additional, and larger, projects to meet citizens' needs for infrastructure, police and fire protection, recreation, and other large projects required to sustain and promote continued growth. Since these major projects can take months, or even years, from inception to completion, it is imperative that the entire process be as efficient as possible. Streamlined processes save time and can help to better allocate limited funds to large projects that span years to complete.

WHAT WE FOUND

The City Auditor's Office conducted a performance audit of the Financial Services Procurement Division's major project procurement process. This audit was included in the City Auditor's FY24 approved Audit Plan.

Procurement complied with applicable laws, regulations, ordinances, and process steps to support transparency; however, we identified steps in the process that could be more efficient when procuring goods and services for major projects. The current procurement software technology does not have full capabilities to automate and track the entire process in the system. We also noted inconsistent application of process steps, insufficient tracking of certain documentation which led to the appearance of incomplete steps in the process, and a lack of clearly defined requirements and process steps for departments to follow. These opportunities for improvement are discussed in further detail in the Finding and Recommendations section of this report in Finding 2024-01.

While we noted the above areas of opportunity for improvement to increase process efficiency, no material control deficiencies or noncompliance were noted.

City Auditor Andrea R. Russell • (239) 242-3380 • ARussell@CapeCoral.gov

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BACKGROUND

The Procurement Division manages the City's major project procurement process utilizing a wide array of purchasing and contracting procedures including the issuance of solicitations, negotiations, and awarding of contracts for major projects including construction, architectural, and engineering services. Procurement oversight includes specification development; preparation of proposals; evaluation of quotes, proposals, and bids; review of vendor submittals; responsible and responsive reviews; negotiation of goods and services contract terms; contract creation; and management of contract renewals and awards.

Fire Station 13

City Ordinance 2-144(a)(12) requires Procurement projects that exceed $100,000 to obtain City Council approval of items on the consent agenda[1]. Procurement for major projects begins with the requesting department preparing and submitting an electronic Request for Work (RFW) form which provides information such as project title and description; project type; specifications; cost estimates; funding source; estimated timelines; and other required documents. After the RFW is reviewed and all necessary documentation received, the Procurement Specialist assigned to the project, enters the project solicitation into the procurement software. After final review and approval by the Procurement Manager, the information for the public solicitation is published for vendors to submit proposals based on a predetermined date and time. When the solicitation period closes, vendor submittals are reviewed, evaluated, and ranked based on pre-established criteria, and a vendor is selected for the project.

Lake Kennedy Racquet Center

[1] The consent agenda is part of the City Council meeting agenda where resolution items are approved by Council. Resolutions can be for procurement of items, contracts for goods and services, personnel actions, and agreements between parties.

Once the vendor selection is finalized, the project is placed on the consent agenda for City Council approval. Certain major projects, such as piggyback purchases and sole or single source purchases, do not require public solicitation; however, Departments are required to submit an RFW and are subject to Procurement review and approval prior to being placed on the consent agenda.

See Table 1 below for the average duration of the major project procurement process for projects selected for testing:

Table 1

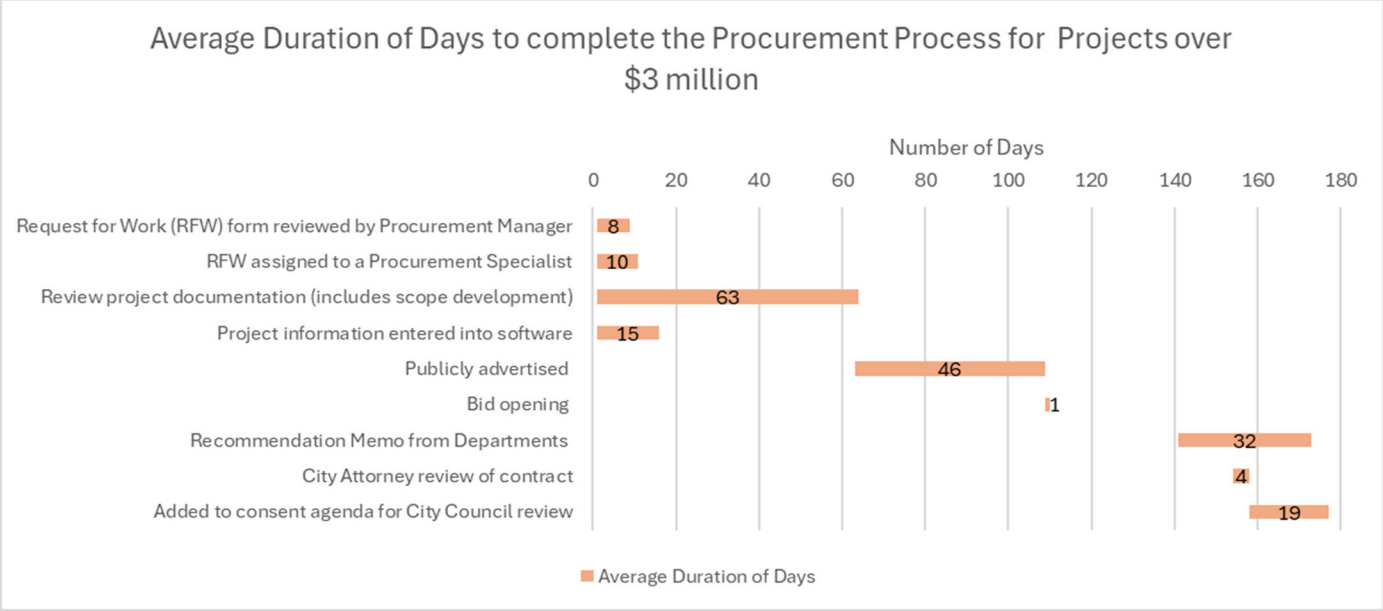
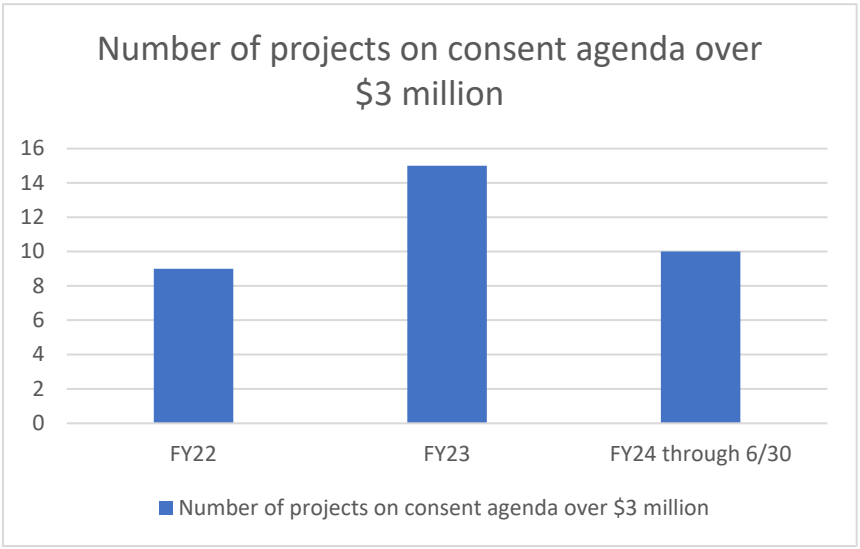


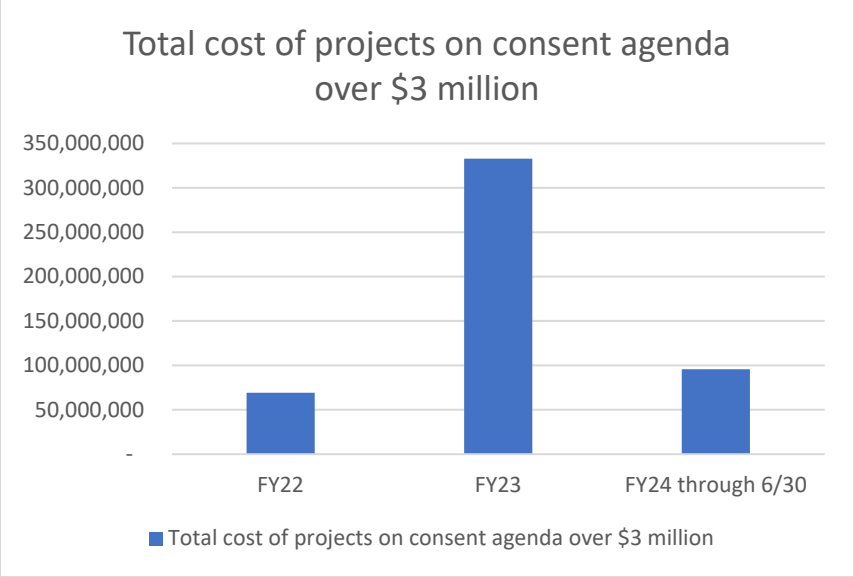
Table 2

There were 34 major projects on the consent agenda during the audit scope of FY22 through June 30, 2024, that were over $3 million which we tested for the audit. See Table 2.



The projects included in the scope above on Table 2, totaled approximately $500 million for the period. See Table 3.

Table 3



Festival Park Groundbreaking

Yellow Fever Creek Groundbreaking

FINDING AND RECOMMENDATIONS

FINDING 2024-01 Procurement Process for Major Projects Needs Improvement
Rank: Medium

Condition:
The City will take on more and larger projects as it continues to grow. As part of the procurement process, items exceeding $100,000 must go before Council for approval. Sometimes these projects are discussed prior to being placed on the consent agenda at Committee of the Whole meetings. In general, Council approves the consent agenda as a whole which gives City departments their approval to move forward to purchase items and services. The process to procure goods and services for major projects begins with the department completing a RFW form. This form provides information on the project such as, intent, funding, and scope of work. The RFW is also used to document the request for bids; contracts; "Other" items which include request for additional funding or addendums to contracts; piggyback; quote; Requests For Information, Proposals, Quotes (RFI, RFP, RFQ); sole/single source; vendor registration; and work authorization.

We selected 39[2] projects procured during the audit scope that had expenditures of $3 million or more associated with the project. We reviewed documentation for each project from inception initiated by the department to placement on the consent agenda for Council approval. While we noted that the Procurement division complied with procurement laws, regulations, and ordinances; certain steps in policies and procedures were not always followed. For example, during walkthroughs with Procurement Specialists or Buyers, we were informed departments must complete the RFW form. For the sample tested we were unable to locate seven of the 39 (18%) completed RFWs. As a result of this, we were unable to track the initial date the project officially started the procurement process. We also were unable to locate evidence of documentation in the information we were provided for testing for the following items:

- Procurement's receipt of the recommendation memo
- The date the contract was sent to the City Attorney's Office
- Evidence of the bid tabulation results

Although the documentation was not present in our test sample, we can conclude these items were completed because all the items tested in our sample were part of the documentation placed on the consent agenda. Because these items were not recorded and tracked in one central location, we were unable to determine an accurate timeline of the process[3].

[2] The sample was 34 projects; however, one of the projects was divided up into six contracts which made our sample 39 projects to review for compliance.
[3] We used the average days from the samples we had with complete documentation to develop the timeline in Table 1.

For details of some of the exceptions noted during testing, see Table 4 below.
Table 4

Results	RFW form not received	All supporting documentation not attached to RFW (2)	No approval date in Procurement Software
Total tested(1)	39	33	26
Total Exceptions	7	8	12
Exception %	18%	24%	46%

(1)- Total tested numbers may vary for attributes because the individual sample tested may not have the particular attribute to test. For example, if a sample did not go out to bid, there would be no recommendation memo for testing and therefore the number of Total Tested for that attribute is different then the total sample.
(2)- In some instances, documentation may be too large to attach to the item due to system limitations.

For certain projects, department personnel informed us that it would be helpful if they could review the documentation for approval prior to upload to the procurement system. Individuals mentioned situations where there were delays in the process because changes were needed after the information was uploaded.

Using the data from our sample it appears on average a major project takes 177 days[4] from completion of the RFW to placement on the consent agenda for Council approval. When considering that the planning and actual construction for larger projects can take years, all efforts should be made to improve efficiency and shorten timelines in the process. It is important to note that large construction projects are generally a two-step process consisting of a design phase and construction phase. Because of the two-step process, these projects may go on the consent agenda twice, once for design and after design completion, another time for the construction phase. Based on the timelines for the sample tested, the total average days for the design and construction phases is 354 days, almost a year just to get the project phases on Council agenda for approval. No design or construction can begin before the item is approved on the consent agenda.

The timeline from completion of the RFW to placement on the consent agenda includes several elements, as indicated in Table 1. It is important to note that the Procurement Division must work with other groups to complete certain elements, such as scope development and the City Attorney's review of contracts, and the timeframe of completion relies upon how quickly the departments can complete these steps. Furthermore, certain elements, such as bid advertisement, have established timeframes that are determined by regulations and cannot be adjusted.

[4] Due to missing data on RFWs or no RFW on file we were unable to determine dates for some of the samples tested.

Criteria:

- Florida State Statute (FSS) 255.0525 – Advertising for competitive bids or proposals
- FSS 255.065 – Public – private partnerships
- FSS 287.057(a)(b)(c) – Procurement of Personal Property and Services
- City of Cape Coral Code of Ordinances, Chapter 2, Administration, Article VII: Purchase and Sale of Real and Personal Property
- Administrative Regulation (AR) F-2 – Outsourcing City Services to a Private Entity
- AR F-6 – Outsourcing
- City of Cape Coral Procurement Manual
    - Section 6 – Quotations, Bids and Proposals
        - RFW
    - Section 7 – Request for Proposals (RFP) Evaluation Procedures
    - Section 8 – Request for Proposals (RFP) Evaluation Procedures – CCNA related items

Cause:

- Incomplete RFW
- Inconsistent application of process steps
- Lack of defined requirements for departments
- Insufficient/incomplete tracking process

Effect:

- Inefficient and time-consuming process
- Potential for inaccurate contracts/missing items needed or wanted by department
- Potential increased costs due to length of time for processing
- Potential delay in project completion

Recommendations

***2024-01a**:*
Develop a mechanism for Procurement and individual departments to utilize to track process steps and timelines more accurately for major projects. The mechanism must include complete routing information such as source for documents and milestone dates.

2024-01b:
Include pertinent information in one centralized location and allow departmental access to all parties to be able to better track major project progress.

2024-01c:
Formalize methods and processes necessary for procurement of major projects. These methods and processes should include time standards and metrics for reporting, required documentation, and should be separately stated from the Procurement Manual.

Management Response and Corrective Action Plan:

2024-01a Select one of these boxes:

☒ **Agree** ☐ **Partially agree*** ☐ **Disagree***

***For partially agree or disagree a reason must be provided as part of your response.**

2024-01a Management agrees and will develop a mechanism that will allow for tracking, routing, and access to supporting documentation.

2024-01a **Management Action Plan Coordinator:** Financial Services Director

2024-01a **Anticipated Completion Date:** 07/01/2025

* * *

2024-01b Select one of these boxes:

☒ **Agree** ☐ **Partially agree*** ☐ **Disagree***

***For partially agree or disagree a reason must be provided as part of your response.**

2024-01b Management agrees and will identify a centralized location and give access to the appropriate parties.

2024-01b **Management Action Plan Coordinator:** Financial Services Director

2024-01b **Anticipated Completion Date:** 07/01/2025

* * *

2024-01c Select one of these boxes:

☒ **Agree** ☐ **Partially agree*** ☐ **Disagree***

***For partially agree or disagree a reason must be provided as part of your response.**

2024-01c Management agrees and will define major projects and develop a policy and procedures for the procurement of such projects.

2024-01c **Management Action Plan Coordinator:** Financial Services Director

2024-01c **Anticipated Completion Date:** 10/01/2025

SCOPE

Based on the work performed during the planning phase and the assessment of risk, the audit covers processes, policies, and procedures in place over the procurement process for major projects from project inception to placement on the Consent Agenda for FY22, FY23 and FY24 through June 30th. For this audit we defined a major project to have expenditures of $3 million or more. To evaluate the processes in place we reviewed Procurement policies and procedures, applicable laws and regulations, and observed major project procurement processes in the division and individual departments.

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.

METHODOLOGY

In order to achieve the audit objectives and gain a better understanding of the major project procurement process, we conducted interviews and walkthroughs with key staff in Financial Services as well as individual departments that have major projects completed or in process. We also attended a Selection Advisory Committee meeting to obtain a better understanding of the process for reviewing and ranking proposals and negotiating contracts with firms that are qualified for certain types of City projects. Original records as well as copies were used as evidence and verified through physical examination. Sample size and selection were based on the CAO sampling methodology.

To determine our sample of major projects, we obtained a list of all Procurement items that were on the consent agenda for FY22, FY23, and FY24 through June 30th and sorted by dollar amount. There were 39 projects with expenditures of $3 million or more. We tested compliance with laws, regulations, policies and procedures. We also developed a timeline for samples in the population with all milestones recorded.

We also utilized data from the City's financial accounting system as it relates to the selected major projects. The financial accounting system is tested by the external auditors as part of the Annual Comprehensive Financial Report. Based on the results of their procedures, no additional data reliance testing was deemed necessary.

Unless specifically stated otherwise, based on our selection methods, and testing of transactions and records, we believe that it is reasonable to project our results to the population and ultimately draw our conclusions for testing, findings, and recommendations on those results. Additionally, for proper context we have presented information concerning the value and/or size of the items selected for testing compared to the overall population and the value and/or size of the exceptions found in comparison to the items selected for testing.

APPENDIX A- Project List

Project Name	Department	Amount	Type
FY24			
Purchase and Delivery of Gasoline and Diesel Fuel	Public Works	$3,000,000	Bid
CCFD Apparatus Sutphen (ladder and engine)	CCFD	$3,146,651	Piggyback
Construction Manager at Risk - Master Agreement for Projects less than $1M	Public Works	$4,195,000	Request For Proposals
Local roads resurfacing FY2024	Public Works	$4,380,388	Bid
Master Pump Station - North 1 UEP	Utilities	$8,599,500	Bid
Neighborhood Parks & Recreation Improvements - Crystal Lake Park	Parks & Recreation	$9,089,299	Bid
Major Roads Resurfacing FY2024	Public Works	$12,328,986	Bid
Professional Engineering and Design services for the North 3 utilities extension project	Utilities	$14,114,622	Contract Negotiating
Construction of Festival Park	Parks & Recreation	$17,829,987	Bid
Hurricane Ian Permanent Work Repairs	Public Works	$19,000,000	Piggyback
FY23			
Gleason Parkway Installation Fiber Optics Conduit and Force Main	Utilities	$3,344,299	Bid
Local Roads Resurfacing FY 2023	Public Works	$3,410,967	Bid
Sports lighting replacement	Parks & Recreation	$4,027,500	Single Source
Piggyback for software	Police	$4,579,154	Piggyback
Disaster Management & Administrative Contract - amendment	CCFD	$4,891,338	Request For Proposals
Insurance Brokerage Services	Finance	$5,013,384	Contract
CCFD Station 13 phase 2	CCFD	$7,453,226	Contract
Lake Kennedy Racquet Center project	Parks & Recreation	$11,243,031	Bid
Construction Manager at Risk Construction Phase for the CCFD Training Facility	Public Works/OCI	$11,640,269	Contract
UEP North 1 Construction Engineering and Inspection Services	Utilities	$12,587,946	Contract
Master Pump Station 100	Utilities	$13,085,600	Bid
Officer Safety Plans and other related Safety Equipment Axon Enterprises	CCPD	$13,463,765	Contract
Police Training Facility	Public Works/CCPD	$14,958,610	Contract
Seven Islands	City Manager	$20,000,000	Request For Proposals
Contracts for N1UEP - 13[1] (1) This list contains 34 projects; however, this project was divided up into six contracts which made our sample 39 projects to review for compliance.	Public Works/Office of Capital Improvements OCI)	$203,123,579	Contract
FY22			
Meter sole source	Utilities	$3,500,000	Contract
Upper Floridian Aquifer Water Supply Well	Utilities	$3,925,847	Request For Proposals
Local Road Resurfacing FY2022	Public Works	$4,044,747	Bid
Construction of Yellow Fever Creek Park Preserve	Public Works	$5,574,821	Bid
Master Pump Station 100 Influent and Discharge Force Mains	Utilities	$7,084,406	Bid
Reclaimed Water Transmission Main - Everest	Utilities	$8,020,438	Bid
Amendment #1 for UEP Contract	Utilities	$11,195,499	Contract
Reclaimed Water Transmission Line Caloosahattchee River Crossing	Utilities	$11,669,691	Bid
Palm Tree Water Main	Utilities	$14,123,512	Bid

APPENDIX B

Finding Classification

Findings are grouped into one of three classifications: High, Medium, or Low. Those findings that are categorized as low are not included in the report but rather are communicated separately to management. Classifications prioritize the findings for management to address and also indicate the level of testing required to determine if a finding's Corrective Action Plan is fully implemented in accordance with recommendations and Management's Response.

High: A finding that is ranked as "High" will have a significant impact on the organization. It is one that *prevents* the achievement of a substantial part of significant goals or objectives, or noncompliance with federal, state, or local laws, regulations, statutes, or ordinances. Any exposure to loss or financial impact for a High finding is considered *material*. Examples include direct violation of City or Department policy, blatant deviation from established policy and procedure, such as actions taken to circumvent controls in place, material non-compliance with federal, state, or local laws, regulations, statutes or ordinances, or an area where significant cost savings could be realized by the Department or the City through more efficient operations.

High findings require immediate management attention and should take management's priority when considering implementation for corrective action.

Medium: A "Medium" finding is one that *hinders* the accomplishment of a significant goal or objective or non-compliance with federal, state, or local laws, regulations, statutes, or ordinances, but can't be considered as preventing the accomplishment of the goal or objective or compliance with federal, state, or local laws, regulations, statutes, or ordinances. Exposure to loss or potential or actual financial impact is *significant but not material* to the Department or City. Examples include lack of monitoring of certain reports, insufficient policies and procedures, procedure in place or lack of procedure that can result in *potential* noncompliance with laws and or regulations.

Medium findings require management attention within a time frame that is agreed upon by the Department and the City Auditor. Priority for implementation of management's corrective action should be considered in light of other High or Low findings.

Low: A "Low" finding is one that warrants communication to management but is one that isn't considered as hindering the accomplishment of a significant goal or objective and isn't causing noncompliance with federal, state, or local laws, regulations, statutes, or ordinances. Financial impact or risk of loss is minimal to none; however, low findings can *hinder the effectiveness or quality of department operations and thus are communicated to management separately. Low ranked findings are not included in the final audit report.*

The City Auditor's Office will not follow up on the status of Low findings communicated to Management.