



John A. Carey
Inspector General

OFFICE OF INSPECTOR GENERAL
PALM BEACH COUNTY



Inspector General
Accredited

“Enhancing Public Trust in Government”

Contract Oversight Report

CA-2018-0034

City of Delray Beach Lifeguard Towers

March 19, 2018

Insight – Oversight – Foresight



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CITY OF DELRAY BEACH LIFEGUARD TOWERS

SUMMARY

WHAT WE DID



On January 5, 2018, the Office of Inspector General (OIG) received a complaint that the City of Delray Beach (City) did not follow its procurement procedures in the award of Invitation To Bid Construction (ITBC): *ITBC 2018-002, City Lifeguard Towers*.

The OIG also received a request from City of Delray Beach Commissioner Shelly Petrolia on February 5, 2018, requesting that the OIG investigate the City Lifeguard Towers ITBC and expressing similar concerns stated in the January 5, 2018 complaint.

The concerns expressed in the complaint were:

Issue (1): The City improperly awarded a non-competitive bid;

Issue (2): The City's minimum vendor qualifications were too restrictive so that only one bidder was qualified;

Issue (3): The design specifications were too narrow to allow for competition;

Issue (4): The City did not obtain confirmation of the awarded bidder's qualifications, as required by the ITBC, from the City of Miami Beach;

Issue (5): The City improperly allowed the vendor to revise its Pricing Schedule after bid opening; and,

Issue (6): The cost for each lifeguard tower is excessive.

The complaint was referred to the Contract Oversight Division for review.

Our review included analyzing all bid documents, including amendments and specifications, and correspondence relating to the *ITBC 2018-002*.

We also reviewed the December 11, 2017 City Commission meeting video, agenda, and back-up materials for the award of the ITBC to Hartzell Construction, Agenda Item 6. K.2.

Our office conducted interviews with key members of City staff who were directly involved in the design and procurement process for the lifeguard towers, interviewed the staff of other municipalities that advertised bids for lifeguard towers, interviewed a representative from the City's outside architect & engineering firm,

CSA Architects, and reviewed relevant public records.

WHAT WE FOUND

In relation to the concerns expressed, we found:

Issue (1): Not Substantiated. The City awarded the bid to the sole, responsive bidder. The award of a bid to a single responsive, responsible bidder was not contrary to the City's procurement policies;

Issue (2): Not Substantiated. The minimum vendor qualifications stated in the ITBC reflected the City's customary procurement practices relating to the general qualifications needed to provide the requested deliverables and assessment of vendor availability in the market;

Issue (3): Not Substantiated. The bid specifications were based on the defined needs of the City and the functional engineering requirements for the structures. We found no indication that the specifications improperly restricted competition;

Issue (4): Not Substantiated. In its

response to the ITBC, Hartzell Construction noted that it would work with Post & Beam in the performance of the bid. During its analysis of responsibility, the City contacted the City of Miami Beach regarding Hartzell Construction and Post & Beam's qualifications. The City, in its discretion, determined that the awarded bidder met the minimum qualifications for responsibility under the ITBC;

Issue (5): Not Substantiated. The initial price schedule submitted by the awarded bidder contained unit prices and total prices. After the bid opening date, the City deemed the inclusion of unit prices to be a minor bid irregularity and waived them in accordance with the City's procurement policies. The bidder was asked to remove unit prices listed in the price schedule, but the total prices remained unchanged; and,

Issue (6): Not Substantiated. Based on the collective price information reviewed by City staff, the final negotiated total price of \$1,164,978 for eight lifeguard towers (\$145,622.25 per tower), was deemed fair, reasonable, and within the market range. This determination was based on the initial estimate, the cost of enhanced design features, and a comparison to other municipal lifeguard tower purchases.

The essence of the complaint involved two issues: 1.) That the procurement process of the lifeguard towers was improper, and 2.) the cost of the lifeguard towers were unreasonably high.

We found the City complied with applicable procurement policies, and while the towers price is higher than several other municipal towers, the City provided reasonable justification for the expenses.

WHAT WE RECOMMEND

We found the City complied with its procurement policies and procedures for the award of the lifeguard tower construction project. Therefore, we have no recommendations.

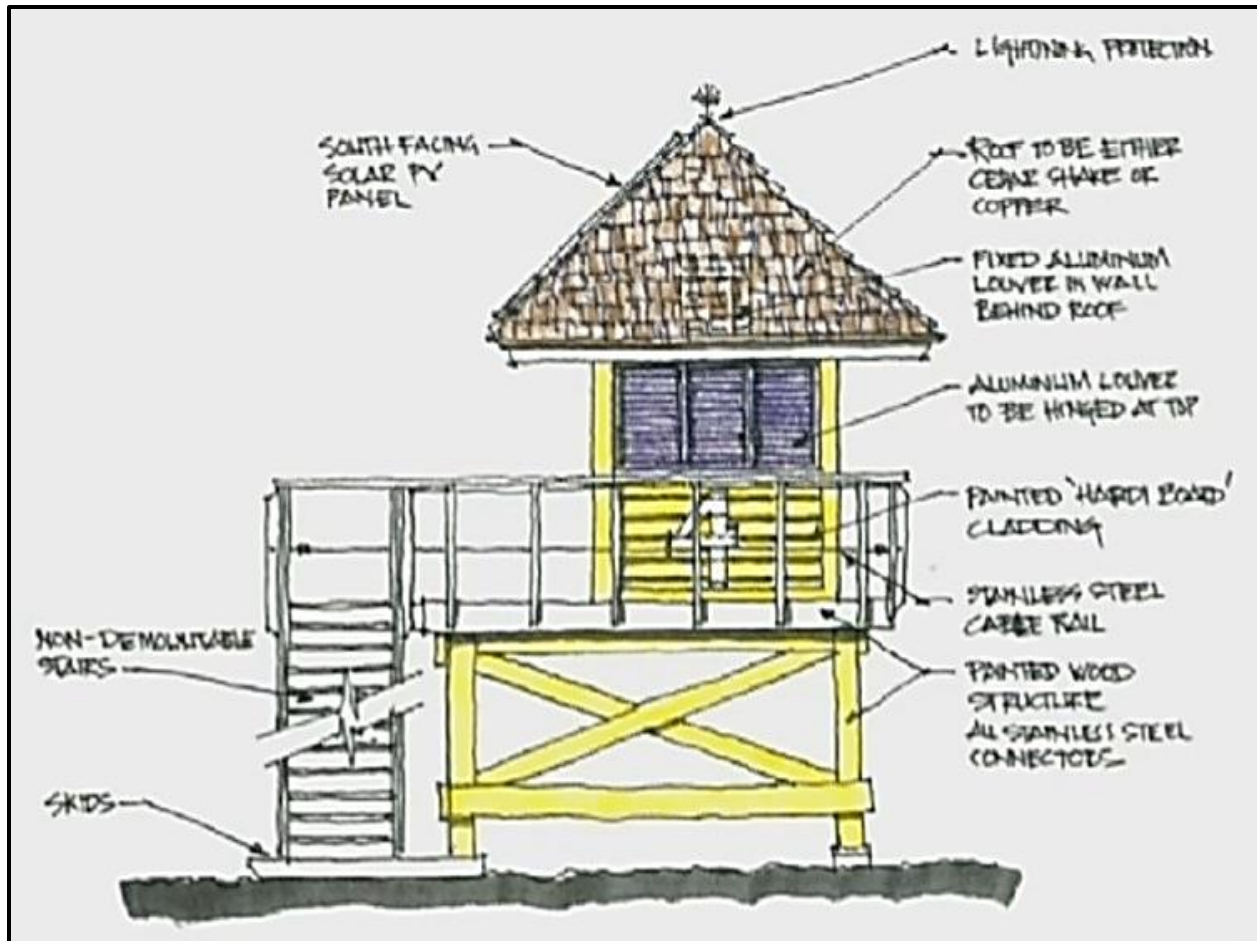
BACKGROUND

The City of Delray Beach issued *ITBC 2018-002, City Lifeguard Towers, Project No. 17-093*, on October 10, 2017, seeking bids from qualified contractors for the construction of eight (8) new wooden lifeguard towers.

The City held a non-mandatory, pre-bid conference on October 18, 2017, which was attended by Hartzell Construction and Bausch Enterprises. Sealed bids were due on November 9, 2017.

Five Addendums were issued to the ITBC:

- Addendum 1, October 12, 2017: Changed the wording of Section 1.18 BID PROTEST in the ITBC.
- Addendum 2, October 16, 2017: The City responded to questions posed by prospective bidders by denying a request to broaden the similar experience minimum qualification and advising bidders of the anticipated Notice to Proceed date for the project.
- Addendum 3, October 20, 2017: The City responded to questions posed by prospective bidders by denying a request to modify the minimum requirements and advising vendors that marine grade aluminum extrusions would not be acceptable for constructing the shelter structure instead of the wood called for in the plans.
- Addendum 4, November 1, 2017: Lowered the liquidated damages rate, extended substantial completion and final completion dates, and answered seven questions posed by prospective bidders.
- Addendum 5, November 6, 2017: Revised Section 6 Minimum Qualifications, Section B to include language that qualifying firms had to provide a contact phone number within 48 hours of a written request, removed the requirement that the vendor provide proof that it was registered with the State of Florida-Division of Corporations because the City would verify, and revised Exhibit A, Bidder Questionnaire.



The specifications for the ITBC were designed by an outside architect & engineering firm, CSA Architects, and included design details such as: fiber-cement siding (Hardie™ plank), solid-core fiberglass doors, aluminum-framed storefront with impact glass, wood shake roof system, aluminum windows, stainless steel-316 bolts, lightning protection, solar panels, and demolition of existing towers. The ITBC construction estimate was \$93,750 per tower, for a total cost of \$750,000.

Only Hartzell Construction responded to the ITBC before the November 9, 2017, bid due date. Hartzell Construction offered a base bid price and the parties negotiated a contingency fee for a total bid of \$1,164,978.

The cost of the contract totaled approximately 55% more than the City's estimate for the total cost of construction set forth in the ITBC, but less than the \$1,200,000 project estimate as noted in the City's FY 18 Project List, presented at the League of Cities Infrastructure Surtax Citizen Oversight Committee (ISCOC) meeting on July 7, 2017.

City staff forwarded a recommendation for award of the contract for approval by the City Commission on December 11, 2017. (Agenda Item 6.K.2.)

ISSUES REVIEWED

ISSUE (1):

The City improperly awarded a non-competitive bid. Not substantiated.

OIG Review

The City awarded *ITBC 2018-002* to the sole responsive, responsible bidder, Hartzell Construction. Neither the solicitation document for *ITBC 2018-002* nor the City's Municipal Code, specifically Ordinance 21-17: Purchasing, as contained in the Purchasing Manual, dated 6/6/2017, require the City to cancel or re-advertise an invitation to bid when only one responsive bid is received.

The Purchasing Manual, page 25, states that the decision rests with the City staff:

The City Manager, or designee, may reject any and all bids or proposals or parts of all bids or proposals when such rejection is in the best interest of the City.

Additionally, *ITBC 2018-002* specifies that the contract for the lifeguard towers would be awarded to a responsive, responsible bidder who submits the lowest price to perform the work:

Section 1, General Terms and Conditions of *ITBC 2018-002* provides,

1.12 AWARD OF CONTRACT

- a. The contract may be awarded to the responsive and responsible Bidder meeting all requirements as set forth in the Solicitation. The City reserves the right to reject any and all Bids, to waive irregularities or technicalities, and to re-advertise for all or any part of this Bid Solicitation as deemed in its best interest. The City shall be the sole judge of its best interest.
- b. The City reserves the right to reject any and all Bids if it is determined that prices are excessive, best offers are determined to be unreasonable, or it is otherwise determined to be in the City's best interest to do so.
- c. The City reserves the right to negotiate prices **with the responsive and responsible low Bidder**, provided that the scope of work of this Solicitation remains the same. [emphasis added]

.....

Section 2, Special Terms and Conditions, of *ITBC 2018-002* provides,

2.6 METHOD OF AWARD: LOWEST PRICE

The City will award this contract to the responsive and responsible Bidder who submits the lowest price to perform the work, based on the option (alternates) selected by the City.

Based on other recent municipal procurements of lifeguard towers, such as the City of Miami Beach, City of Palm Beach Shores, Town of Jupiter, and Martin County, staff believed when they issued the ITBC that there were sufficient prospective vendors in the market for reasonable competition. However, only one bidder responded. As a result, the City's design, engineering, and purchasing staff considered canceling and re-advertising the invitation to bid. Staff determined that canceling the bid and re-advertising was not in the best interest of the City.

City staff advised our office that they evaluated Hartzell Construction's proposed price and reviewed projects like the City of Miami Beach Lifeguard Tower Capital Improvement Program (CIP) and decided that negotiating with the sole bidder was appropriate under the circumstances. Although the assessment was not formally documented, it was discussed by design and engineering staff prior to making an award recommendation to the City Commission. The negotiated bid price was found by City staff to be reasonable and within the competitive range for the type of towers requested by the City.

Although the City considered rejecting all bids, the relevant policies and procedures do not require it to do so on the basis that only one bid was received. Based upon our review of the ITBC, the City's procurement regulations, and interviews with staff, we cannot conclude that the City improperly awarded a non-competitive bid.

ISSUE (2):

The City's minimum vendor qualifications were too restrictive so that only one bidder was qualified. Not substantiated.

OIG Review

Generally, an agency may not place limitations in a bid that hinder competition or which will afford an opportunity for favoritism, whether any favoritism is actually intended or practiced, or not. Based upon our review of Section 6 of the ITBC and Addendum 5, we did not find that the City's determination of the minimum vendor qualifications was too restrictive or had the effect of unduly limiting competition.

Bidders wishing to compete for the ITB 2018-002 had to meet the following minimum qualifications:

- Must have been in the business for a minimum of thirty-six (36) months prior to the bid due date and time;
- Must have experience in constructing and installing a minimum of six (6) lifeguard towers, three (3) of which must have been wooden-structured lifeguard towers, within the past thirty-six (36) months;

- Must hold a Florida State General Contractor's license issued by the State of Florida, Department of Business and Professional Regulation Construction Industry Licensing Board; and,
- Have no reported conflict of interests in relation to the ITBC.

The first two minimum requirements listed above are consistent with the City's customary procurement practice, as evidenced by other ITBCs, which generally require that the bidder operate a business for a minimum of three to five years, and performed three to six similar projects/contracts within the past three to five years. The second two requirements listed above do not appear to be unreasonable in light of the nature of the construction work necessary to provide the requested deliverables.

In discussions with City staff, they did not consider the minimum qualifications for vendors for the lifeguard tower ITBC to be unreasonable. Instead, City staff believed the minimum qualifications were normal and prudent bid requirements necessary to assess bidder responsibility, and in the best interests of the City. The City has a detailed explanation of *Responsiveness and Responsibility Determinations*, in its Purchasing Manual, pages 8-11. The Manual states on page 9,

A determination of bidder responsibility shall be made, on a contract-by-contract basis. A responsible bidder is a bidder which the City affirmatively determines (prior to the award of the contract) has the ability, capability and skill to perform the terms of the contract; can provide the materials or service promptly within the time specified, without delay or interference; and has a satisfactory record of integrity and business ethics.

The City received potential vendor requests for changes to the minimum vendor qualifications. One prospective vendor asked the City to broaden the minimum qualifications to accept experience constructing lifeguard towers outside the stated thirty six-month window in the ITBC, or to accept experience constructing numerous pavilions similar in scope of lifeguard towers. The City declined this request in Addendum 2. A second prospective vendor asserted that other local tower solicitations were unsuccessful in awarding a contract because of strict minimum requirements similar to those set forth by the City. The prospective vendor asked that the minimum vendor requirements be revised because it had built lifeguard towers ten years ago, and many similar structures since then, but there has not been a lot of demand for towers in South Florida. Again, the City declined to modify the minimum qualifications in Addendum 3. Vendor experience in building lifeguard towers within the last thirty-six months was an important qualification to the City's staff.

Finally, the complainant asserts that the fact that the City's minimum vendor qualifications was more restrictive than other municipalities conclusively proves that the City's invitation to bid was too restrictive. The City of Delray Beach is not required to adopt vendor qualifications adopted by other municipalities. Developing bidder requirements is a policy choice made by staff with the City Commission having final contract award authority.

After reviewing the procurements for lifeguard towers for the City of Miami Beach, City of Palm Beach Shores, Town of Jupiter, and Martin County, the City's staff concluded that there appeared to be sufficient work in the local market to allow vendors to gain enough experience constructing and installing a minimum of six lifeguard towers, three of which must have been wooden-structured lifeguard towers, within the past thirty-six months as required in the ITBC. The staff made a reasonable assessment of vendor availability compared with the ITBC's minimum vendor bid requirements and determined that the minimum vendor qualifications were not too restrictive. We cannot conclude that the City's minimum vendor qualifications impeded competition or violated applicable laws, policies, procedures, regulations, or guidelines.

ISSUE (3):

The design specifications were too narrow to allow for bid competition. Not substantiated.

OIG Review

The City's bid specifications for the lifeguard towers were based on the defined needs of the City and the functional engineering requirements for the structure. The design includes many high-end materials. City staff stated during interviews that the City has over three million visitors to its beaches every year, and the City has a fiduciary responsibility to keep the beaches safe with functional, durable, and well-maintained lifeguard towers. Staff believed the specifications reflected that responsibility.

The City's design specifications were created by an outside architect & engineering firm, CSA Architects. The design was based on input from multiple sources, such as: The City Commission's request for an artistic design with the City's iconic motif; citizen complaints about the substandard appearance of the existing towers and pavilions; the Ocean Rescue staff's concerns about safety, height and visibility; and Engineering staff's concerns about maintenance and the hazardous environmental conditions the tower must withstand.

Specifically, CSA Architects designed lifeguard towers that will:

- Employ specialty materials in an effort to extend the tower's useful life from 15 years to 30 years and reduce routine maintenance costs by using rust resistant stainless steel-316 bolts, metal resin roofing, and Hardie™ plank cladding.
- Withstand intense ultra-violet sunlight, high temperatures, and tropical and hurricane force winds.
- Endure blowing sand and salt spray without degrading Ocean Rescue's ability to maintain watch over the beach and ocean, year-round.
- Remain secured at night from theft and vandalism with doors, gates, and shutters.
- Maintain the necessary safety and environmental features required by Ocean Rescue staff, such as tower height, proximity to water, unobstructed field of vision, solar panels to charge rescue radios, and ventilation fans.

During the bid process, vendors inquired whether substitute materials were allowed, such as aluminum or fiberglass, instead of wood for the structure, or a hot dip galvanized finish

instead of stainless steel for the bolts, and trim hardware. The City considered all requests, but declined any substitutions.

The following provides the City's decisions for specifying some higher cost materials:

- Fiberglass structures are too hot for the lifeguards inside the tower, and the utility and appearance of the towers degrades quickly over time leading to increased maintenance costs and reducing the life span.
- Aluminum oxidizes quickly, ruining the exterior finish within a few years, and reducing the life span significantly over stainless steel fixtures and wood.
- Aluminum poses a heat issue for the lifeguards, and is a lightning hazard.
- Hot dip galvanized coated bolts and trim hardware is usually damaged during installation, which negates the rust coating protection.
- Hot dip galvanized bolts rust internally, and will eventually cause "bleeding" stains on the outside finish, similar to the current beach pavilions, which as the City staff explained, has generated numerous citizen complaints about its shoddy appearance.

Another request denied by the City was that during demolition of the existing structures, the vendors wanted to cut the tower pilings 10 feet below the surface instead of completely removing the pilings. The City staff stated the pilings should be completely removed because cutting the pilings and leaving debris behind would essentially represent "landfill" which is not an environmentally sound policy for the City's beaches. The buried pilings might cause environmental issues such as leaching, drainage, and erosion. Additionally, the City reasoned there are legal ramifications for a buried hazard, which would require the City to maintain oversight, safety, and security for as long as the buried pilings remain. Therefore, leaving the pilings buried would represent a long-term risk exposure and a costly maintenance issue.

One prospective vendor claimed in its written questions submitted to the City before the bid due date that the specifications in the ITBC were "strict" and comparable to the requirements necessary for a "nuclear power plant." Although the complainant suggested that the specifications were unnecessarily strict as compared to other municipal tower bids, the City is not required to adopt specifications used by other municipalities or that do not meet its defined needs and requirements. Developing specifications is a policy choice made by staff with the City Commission having final contract award authority.

Although the design specifications were very precise and required specialty materials, we did not find that the specifications were too narrow to allow for adequate competition or limit the opportunity of prospective bidders to submit a bid. We found no information suggesting that the skills and materials needed to construct the requested lifeguard towers were inaccessible to vendors willing to perform the work.

ISSUE (4):

The City did not obtain confirmation of the awarded bidder's qualifications, as required by the ITBC, from the City of Miami Beach. Not substantiated.

OIG Review

On November 9, 2017, Hartzell Construction submitted a bid in response to the ITBC, wherein it listed "Bidder: Hartzell Construction/Post & Beam." After bid opening, the City contacted the City of Miami Beach, which was listed as a reference in the bid that would confirm that the bidder had experience in constructing and installing a minimum of six (6) lifeguard towers, three (3) of which must have been wooden-structured lifeguard towers, within the past thirty-six (36) months.

The Purchasing Department advised our office the City made its determination of responsibility based on an analysis of whether the combined experience of all participants on the bid met minimum requirements in the ITBC. The City of Miami Beach advised the City on November 13, 2017, that Post & Beam met the experience requirement in the ITBC that "Bidder must have experience in constructing and installing a minimum of six (6) lifeguard towers, three (3) of which must have been wooden-structured lifeguard towers, within the past thirty-six (36) months." The Purchasing agent advised our office that, "responsibility determinations are based on many factors; the totality of a firm's experience, performance, and capacity."

The City's Purchasing Manual, Page 8 defines "bidder" to include "any participant in the City's procurement process..." Additionally, the Manual provides,

2. Bidder responsibility refers to whether the bidder can perform as provided in the bid. In general, solicitation requirements for information relating to a bidder's financial condition, capability, experience and past performance pertain to the bidder's responsibility....Under its definition, the City has discretionary power to make determinations upon the honesty and integrity of the bidder necessary to a good faith performance of a contract, upon a bidder's skill and business judgement, its experience and its facilities for carrying out the contract, the bidder's previous conduct under other contracts, and the quality of its previous work.....

Generally, prospective prime contractors are responsible for determining the responsibility of their prospective subcontractors. Determinations of prospective subcontractor responsibility may affect the City's determination of the prospective prime contractor's responsibility.

Based upon our review of the City's Purchasing Manual and interviews with City staff, we cannot conclude that the City's decision to consider Post & Beam's experience in its determination of responsibility violated applicable laws, policies, procedures, regulations, or guidelines.

ISSUE (5):

The City improperly allowed the vendor to revise its Pricing Schedule after bid opening. Not substantiated.

OIG Review

Hartzell Construction's original bid included unit prices for the eight towers and total prices for each line item, but did not include the prices written out in script. The City deemed these issues to be minor bid irregularities, and waived them in accordance with its procurement policies. The Purchasing agent contacted Hartzell Construction with instructions to submit a revised *Exhibit D, Pricing Schedule*, with corrections to remove the unit pricing and to write out the words associated with the total pricing. The total pricing was never revised and was accepted by the City.

In the Purchasing Manual, page 18, the City reserves the right to waive bid irregularities:

Each Offer shall meet all the requirements of the specific solicitation, unless waived as an irregularity or informality by the Purchasing Director or designee.

In conjunction with the initial request for correction of *Exhibit D, Pricing Schedule*, the City waived a minor irregularity for the contingency line item and requested the vendor increase the contingency amount from one percent to ten percent of the total bid. The Project Manager determined that the one percent contingency amount bid by the vendor was insufficient to cover issues that may arise during construction. The ten percent allowance was originally stated in the bid specifications, *Section 01020, Allowance*.

In construction, contingencies are risk estimates that make allowance for the unknown work associated with a project. Typically, contingencies refer to costs, and are amounts that are held in reserve to deal with unforeseen circumstances, if any.

In the ITBC and the Purchasing Manual, the City reserves the right to negotiate price with the responsive and responsible bidder offering the lowest price. During negotiations, City staff and Hartzell Construction agreed that the contingency risk could be reduced to five percent, if parts of the tower were built offsite and trucked to the install location for final assembly.

Therefore, the vendor bid price changes were authorized, negotiated, and in accordance with the terms of the ITBC, and the City's procurement policies.

ISSUE (6):

The cost for each lifeguard tower is excessive. Not substantiated.

OIG Review

Prior to making the award recommendation, the City of Delray Beach's design, engineering and Ocean Rescue staff performed a price analysis of the bid, and determined the final negotiated price to be fair and reasonable.

The cost estimate included in the ITBC was \$750,000 for eight lifeguard towers (\$93,750 each). In interviews, the City staff stated that this was only an estimate, but expected the final costs to be higher. Indeed, the City's staff estimated that the price for eight new lifeguard towers would be approximately \$1.2 million per the City's FY 18 Project List presented to the League of Cities Infrastructure Surtax Citizen Oversight Committee (ISCOC) in July, 2017.

The City of Miami Beach had a wooden lifeguard tower project comparable to the Delray Beach project, but there are differences in materials and design, including stainless steel bolts, solar panels, and Hardie™ plank. From 2014 through 2018, the City of Miami Beach, Office of Capital Improvements, received \$3,398,000 to replace an estimated twenty-six to thirty-five towers; the approximate unit cost per tower is \$97,085 to \$130,692.

The complaint identified a news story in 2017, stating that the City of Hollywood was replacing 20 towers for \$1,500,000, or \$75,000 each. The news article cited in the complaint, is referencing the award of a Request For Qualifications (RFQ) for an architect to design the lifeguard towers and is **only** an estimate. The actual bid for constructing the towers will be issued by the City of Hollywood's Community Redevelopment Agency (CRA) in 2018, once the design specifications are complete and the construction contractors are pre-qualified. No structures have been purchased or built. The City of Hollywood CRA is currently pre-qualifying construction contractors for an upcoming lifeguard tower bid to be released sometime in the next year.

Other municipal bids for tower structures, but using materials that were unacceptable in the Delray Beach ITBC, include:

- Palm Beach Shores, 2016: Aluminum structures, \$39,491 per tower.
- Martin County, 2014: Aluminum structures, \$35,000 per tower.
- Town of Jupiter, 2013: Fiberglass structures totaling \$1,400,000 for 20-23 towers (\$60,000 - \$70,000 per tower).

Finally, based on discussions at the City Commission's December 11, 2017, meeting, and interviews with City staff, the following cost information was compiled. These material considerations added an estimated \$39,700 in costs to the initial bid estimate of \$93,750 per tower. These design elements include:

- \$9,000 - 10,000 per tower for stainless steel-316 bolts (\$80 per bolt) and trim hardware.
- \$8,000 - 9,000 per tower for solar panels.
- \$1,200 per tower for a metal-resin roof system, which was negotiated down as a cost savings by eliminating the cedar-shake roof system.
- \$7,000 for demolition of each existing tower and removal of pilings.
- \$7,500 per tower for contingencies.
- \$5,000 per tower for insurance and mobilization.

- A pricing estimate was not performed for the following material upgrades, but these items may have increased the per tower unit cost: Hardie™ plank cladding, airplane cable railing, shutters, gates, high impact scratch resistant glass front view window, and a locking door with frame.

*We calculate the high-end design elements add an estimated **\$39,700** to the initial bid estimate of **\$93,750**. The total estimated price is **\$133,450** per tower, or **\$1,067,600** for eight towers.*

Based on the collective price information reviewed by City staff, the \$145,622.25 per tower, or \$1,164,978 total for the Hartzell Construction award was deemed fair, reasonable, and within the competitive market range. Subsequently, the award recommendation was approved by the City Commission on December 11, 2017.

QUESTIONED COSTS

There were no questioned costs.¹

RECOMMENDATION

During our review, we found the City complied with its procurement policies and procedures for the award of the lifeguard tower construction project. Therefore, we have no recommendations.

ACKNOWLEDGEMENT

The Office of Inspector General, Contract Oversight Division's staff would like to extend our appreciation to the City of Delray Beach 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 Contract Oversight Director by email at inspector@pbcgov.org or by telephone at (561) 233-2350.

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.