



AUDIT OF LIVING WAGE POLICY COMPLIANCE—
SERVICE AGREEMENTS

Release Date: March 17, 2005

Report No. 05-17

CITY OF ORLANDO

OFFICE OF AUDIT AND EVALUATION

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CITY OF ORLANDO

MEMORANDUM

To: Jon Mead, Director, Office of Purchasing and Materials Management

From: Beryl H. Davis, CPA, CGFM, Audit and Evaluation Director

Date: March 17, 2005

Subject: Audit of Living Wage Policy Compliance-Service Agreements
(Report No. 05-17)

The Office of Audit and Evaluation has performed an audit of compliance by service providers with the City's living wage policy. The purpose of the audit was to (1) determine if service contractors, as well as their subcontractors, pay their employees a living wage according to the City policy adopted on August 25, 2003; and (2) determine if any additional actions should be undertaken by the Office of Purchasing and Materials Management on a regular basis to monitor compliance with the living wage policy.

Our examination was conducted in accordance with generally accepted government auditing standards and included a review of relevant City policies, procedures, and selected service contracts, inquiries of City officials and staff, review of selected service providers' payroll records, and such other auditing procedures as we considered necessary in the circumstances.

We selected three service providers from a list of applicable service contracts signed after the Living Wage Policy took effect in October 2003. We tested each of these providers' payroll records for a five to six month period of time. One of the service providers we audited uses subcontractors for a small percentage of its work for the City; we did not audit the payroll records of the subcontractors.

Based upon the test work performed, we concluded that: (1) the service contractors we audited pay their employees the living wage required by City policy; and (2) additional monitoring actions would require a commitment of additional staff resources and, therefore, are not recommended at this time. However, we encourage the Office of Purchasing and Materials Management to consider monitoring procedures as warranted in the future.

We would like to express our appreciation to the officials and employees of the Office of Purchasing and Materials Management for their courtesy and cooperation during this audit.

BHD/am

c: Honorable Ernest Page, Mayor
Jose I. Fernandez, Jr., Chief of Staff
Joseph Robinson, Deputy Chief of Staff
Dykes Everett, City Attorney
Richard Levey, AICP, Chief Administrative Officer
Kevin J. Edmonds, General Administration Department Director

BACKGROUND

The City of Orlando's "Living Wage Policy" was enacted as a revision to Policy & Procedure 161.3, Procedure for the Creation of Contracts, Related Insurance Requirements and Other Matters. This policy revision was passed by City Council on August 25, 2003, and was effective for service contracts negotiated on or after October 1, 2003. The living wage is deemed to be \$8.50 per hour, and any service contractor or subcontractor providing services to the City in an amount exceeding \$100,000 per year must pay its employees at least this amount per hour.

From the time the Living Wage Policy was enacted until mid-March 2005, the City has negotiated 28 service contracts exceeding the \$100,000 threshold. Only one of these, the Annual Agreement for the Operation and Maintenance of City Hall, resulted in a price increase to the City due to the new policy, as shown on Schedule A. The information on Schedule A was not audited and was provided by the Office of Purchasing and Materials Management to supplement the information presented in this report.

In order to determine compliance with the Living Wage Policy, we selected three contractors providing more than \$100,000 in services annually to the City. These contractors are: Metro Sewer Services, Equitas Sewer Services and Ameriscapes Landscape Management Services.

ISSUES AND CONCLUSION

Objectives The objectives of our Audit of Living Wage Policy Compliance-Service Agreements were to (1) determine if service contractors, as well as their subcontractors, pay their employees a living wage according to the City policy adopted on August 25, 2003, and (2) determine if any additional actions should be undertaken by the Office of Purchasing and Materials Management on a regular basis to monitor compliance with the living wage policy.

Scope and Methodology At the time we were beginning our review, there were eight service contractors to whom the Living Wage Policy applied. We selected the three who had the most significant business dealings with the City during the audit period.

We tested a five to six month sample of payroll records from these three service contractors. One of these three service providers uses two subcontractors to assist in the performance of its contract with the City; however, we did not audit the payroll records of the two subcontractors. These subcontractors are only used for a small percentage of work on the City contract.

The contracts with Metro Sewer Services and Equitas Sewer Services were renewed under the Living Wage provision in February 2004, while the Ameriscapes Landscape Management Services contract was not renewed until April 2004. Therefore, the audit periods differed slightly.

Our procedures included a review of the relevant City policies, procedures and selected service contracts, inquires of City officials and staff, and review of selected service providers' payroll records.

Audit Actions In order to test compliance with the Living Wage Policy, we acquired a listing prepared by the Office of Purchasing and Materials Management of the service contracts with annual contract values over \$100,000 that had been initiated or renewed after the Living Wage Policy took affect in October

2003. This listing showed that eight contractors met these conditions. We selected three contractors (Metro Sewer Services, Equitas Sewer Services, and Ameriscapes Landscape Management Services) and reviewed their payroll records in detail as explained below.

We requested Metro Sewer Services and Equitas Sewer Services to provide us with Payroll Summaries for the period of January through June 2004. We totaled all of the adjusted gross incomes from these Summaries and compared them to the Employer's Quarterly Federal Tax Returns (Form 941) for the same period. We noted no material differences. We then randomly selected one Payroll Summary for each of the six months in our review period. We ascertained that every employee listed on the summary was paid a minimum of \$8.50 hourly. Additionally, we randomly chose three employees from each pay cycle during the audit period and traced the hours they reported on their time cards to the Payroll Summaries to ensure they were paid for the correct number of hours. Finally, we traced this information to copies of canceled checks or direct deposit information to verify that these employees were paid the correct payroll amount.

Ameriscapes Landscape Management Services uses an external payroll service. We randomly selected eight Payroll Journals from the period of May through September 2004. As Ameriscapes Landscape Management Services does not pay all of its employees at least \$8.50 per hour, we requested that they provide us with a listing of the employees who worked on the City contract during our audit period of May through September 2004. We then examined the Payroll Journals and verified that all employees who worked on the City contract were paid at least \$8.50 per hour. We also traced the hours the employees reported on their time cards to the Payroll Journals to ensure they were paid for the correct number of hours. Some time cards were not available because Ameriscapes' time card machine had been out of order for a time; for these cards, we utilized the Office Manager's spreadsheet of hours worked. Finally, for those employees with direct deposit, we traced the

Payroll Journals to direct deposit information to verify those employees were actually paid the correct amounts. We should note that since most Ameriscapes' employees are paid by checks prepared by their contracted payroll service, canceled payroll checks were not available for our review. Therefore, as an additional test in this area, we verified that the Payroll Journal amounts and the Workers' Compensation Report amounts matched. Both of these reports were supplied to us by the off-site payroll service. We found no material differences.

Conclusion We noted no exceptions during our testing; therefore, we conclude that (1) the service contractors we audited pay their employees a living wage according to City policy; and (2) additional monitoring actions would be require a commitment of additional staff resources and, therefore, are not recommended at this time. However, we encourage the Office of Purchasing and Materials Management to consider monitoring procedures as warranted in the future.

Because the audit conclusions were all positive and no recommendations were made, no auditee response is required for this audit.

SCHEDULE A

The following schedule was provided by the Office of Purchasing and Materials Management to demonstrate the effect of the Living Wage Policy on the service contracts of the City of Orlando. It is provided here for additional information and the information was not audited by the Office of Audit and Evaluation.

Since the adoption of the City's Living Wage Policy in October 2003, the policy has been applied to the following service contracts:

Contract Name	Vendor(s)	Initial Contract Amount	Renewal Contract Amount	Increase/Decrease from Initial Contract Amount
Annual Agreements for Storm Sewer Service Line Rehabilitation, Cleaning and Video Recording, BI02-1663-01 and -02	01-Equitas Sewer Services, LLC	\$175,000.00	\$175,000.00	0
	02-Metro Sewer Services, Inc.	\$425,000.00	\$425,000.00	0
Annual Agreement for Asphalt Rejuvenating Agent, BI05-2030	Pavement Technology, Inc.	\$250,000.00	\$250,000.00	0
Annual Agreement for Bituminous Concrete Removal from Brick Substrate, BI02-1638	Pavement Savers, Inc.	\$660,570.00	\$660,570.00	0
Annual Agreement for the Operation and Maintenance of City Hall, RFPO2-487	Jones Lang LaSalle Americas, Inc.	\$1,076,167.00	\$1,124,647.00	+\$48,480.00 (increase due to living wage)
Annual Agreement for Installation of New Roofing and Roof Repair, BI04-1920	The Bookhardt Group	\$350,000.00	\$350,000.00	0
Annual Agreement for Maintenance of Mitigation Sites, BI03-1752	DeAngelo Brothers, Inc.	\$181,000.00	\$181,000.00	0

Contract Name	Vendor(s)	Initial Contract Amount	Renewal Contract Amount	Increase/Decrease from Initial Contract Amount
Annual Agreement for Temporary Laborers, BIo3-1800-01, 02, 03	Staffing Group East, LLC	\$150,000.00	\$250,000.00	+\$100,000 (increased need for temporary laborers)
Annual Agreement for Sandbar Removal, Retention Pond and Stormwater Line Clearing/Cleaning, BIo2-1669	Turnbull Environmental, Inc.	\$200,000.00	\$75,000.00	(\$125,000.00) (decrease due to workload)
Annual Agreement for Various Stormwater Areas Mowing and Grounds Maintenance in the City of Orlando, BIo1-1492	Ameriscapes Landscape Mgmt. Services	\$1,509,039.00	\$612,109.29	(\$896,929.71) (decrease due to change in scope)
Annual Agreement for Asphalt Rejuvenating Agent, BIo2-1590	Pavement Technology, Inc.	\$250,000.00	\$250,000.00	0
Annual Agreement for Pavement Markings, BIo3-1683-01	Sunray Paving & Construction Co.	\$250,000.00	\$160,000.00	(\$90,000.00) (decrease due to workload)
Annual Agreement for Opening and Closing of Burial Spaces at Greenwood Cemetery, BIo3-1734	Quality Vaults, Inc.	\$133,625.00	\$130,000.00	(\$3625.00) (decrease due to workload)
Annual Agreement for Sanitary Sewer Lining and Manhole Rehabilitation, BIo2-1660-01, 02, and 04	01-Metro Sewer Services, Inc. 02-Miller Pipeline d/b/a Griner's Pipeline 04-S.O.S. Construction Corp.	Combined total of \$500,000.00	Combined total of \$175,000.00	(\$325,000.00) (decrease due to workload)

Contract Name	Vendor(s)	Initial Contract Amount	Renewal Contract Amount	Increase/Decrease from Initial Contract Amount
Annual Agreements for Tree Removal BIO2-1666-01 and 02	01-Charlie's Tree Service 02-Groundtek of Central Florida, Inc.	\$80,000.00 \$5000.00	\$320,000.00 \$125,000.00	+\$240,000.00 +\$120,000.00 (increases due to hurricane clean-up)
Annual Agreement for Fabrication/Install. Of Traffic Signal Equipment, BIO4-1893	Traffic Control Devices, Inc.	\$750,000.00	Not yet renewed	N/A
Annual Agreement for Landscape Maint. Svs. At Various Centroplex Facilities, BIO4-1899	Reed Landscaping & Lawn Care, Inc	\$165,788.00	Not yet renewed	N/A
Annual Agreement for Blue Jacket Park Grounds Maintenance, BIO3-1811	P & L Lawn Maintenance, Inc.	\$129,326.00	Not yet renewed	N/A
Annual Agreement For StreetPrint, BIO4-1983	Beckman Paving	\$516,774.00	Not yet renewed	N/A
Annual Agreement For Street Resurfacing, BIO5-2015	Hubbard Construction Company	\$2,086,825.25	Not yet renewed	N/A
Annual Agreement for Residuals Disposal at ConServ II, RFP05-516	The Showcase of Citrus	\$580,614.11	Not yet renewed	N/A
Annual Agreement for Provision and Installation of Sod, BIO3-1798-03	R & R Turf Farms, L.L.P.	\$137,300.00	\$137,300.00	0
Request for Proposal for Professional Janitorial Services at Various Centroplex Facilities, RFP01-426	CleanEvent USA, Inc.	\$1,167,490.00	\$1,167,490.00	0

Contract Name	Vendor(s)	Initial Contract Amount	Renewal Contract Amount	Increase/Decrease from Initial Contract Amount
Annual Agreement for Hot-In-Place Asphalt Recycling, B102-1632	Pavement Savers, Inc.	\$500,000.00	\$800,000.00	+\$300,000.00 (increase due to additional projects)
Annual Janitorial Service Agreement for the Orlando Police Headquarters, Various Neighborhood Patrol Offices and the Orlando Operations Center, B104-1842	Florida Cleaning Systems, Inc.	\$141,965.30	\$141,965.30	0
Request for Proposal for Armed/Unarmed Security Guard Services, RFP04-495	Cognisa Security, Inc.	\$1,422,440.32	\$1,017,533.04	(\$404,907.28) (decrease due to service changes & loss of garage)
Contract to Furnish and Plant Wetland Trees and Vegetation at the Trails of Turkey Lake Mitigation Site, SB04-067	Aquatic Weed Control, Inc.	\$123,026.00	One-time	N/A
Contract for Housing Condition Survey, RFP04-501	University of Central Florida	\$134,300.00	One-time	N/A
Request for Quotes for Hazardous Tree Removal Services Due to Damage by Hurricanes, RFQ05-518	TFR Enterprises, Inc.	\$327,395.00	One-time	N/A