



## Compliance Review

# Review of Invoice Processing Controls - Wackenhut's Security Services Contract

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**Office of the County Auditor**  
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## Executive Summary

In this report we assessed the controls over the review and processing of invoices for security services provided by Wackenhut Corporation (Wackenhut). Our primary objectives were to evaluate the effectiveness of invoice processing controls in ensuring:

- Payments are only made for services actually provided in accordance with the contract terms, and
- Errors and irregularities are detected and prevented.

In addition, we evaluated the contract administrator's monitoring efforts regarding compliance with the Broward County Living Wage Ordinance.

Our review encompassed nine county agencies using the services of Wackenhut during the fiscal year ended September 30, 2007. These nine agencies paid \$5.8 million to Wackenhut during fiscal year 2007.

We noted deficiencies in the invoice review processes which diminish the County's ability to determine the validity of amounts billed and detect or prevent errors and irregularities, including:

- County personnel at the majority of sites served by Wackenhut:
  - did not review and validate daily entries on the security logs which document hours worked by guards.
  - did not provide evidence that hours billed were compared to the hours reported on the supporting security logs.
- Five of the six agencies paid for Class III and supervisory level guards without verifying the guards assigned were actually qualified Class III or supervisory personnel. The Aviation Department (BCAD), the only agency reviewing qualifications of guards assigned to their agency, found Wackenhut overbilled the Department \$18,900 for Class III guards.
- The Libraries Division paid overtime for security guards at 14<sup>1</sup> branch libraries contrary to the provisions of the contract.

Our evaluation of the Living Wage monitoring efforts performed by the Facilities Maintenance Division (FMD) identified the following:

- Existing payroll review procedures are impractical and insufficient to evaluate compliance with the living wage ordinance.
- Existing procedures do not sufficiently explain how to apply the health benefit provisions of the Living Wage Ordinance

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<sup>1</sup> Three sites were initially reviewed as part of the 18 sites, however, we expanded our review to include all branch locations and found an additional 11 branches that did not comply with the contract terms regarding payment of overtime.

To correct these deficiencies, we recommend the Board of County Commissioners direct the County Administrator to:

1. Develop and implement procedures to ensure future invoices for security services are appropriately reviewed to include:
  - validation of hours reported on the security logs and comparison to billed hours,
  - comparison of rates to the contract,
  - verification of qualifications of guards and site supervisors, and
  - substantiation of overtime charges.
2. Review all previous charges for Class III guards and site supervisors to ensure the personnel provided met the requirements of the billed classification and recover any resulting overpayments by December 31, 2008.
3. Take steps to ensure future overtime charges are reviewed for compliance with the contract provisions prior to payment.
4. Review Wackenhut's payroll documentation substantiating overtime charges paid by the Libraries Division and recover any overpayments by December 31, 2008.
5. Draft an amendment to the Living Wage Ordinance to delete the requirement for an examination by the contract administrator of payroll information within sixty days of receipt.
6. Develop and implement procedures to provide guidance in the application of the Broward County Living Wage Ordinance.

## **Purpose and Scope**

Our primary objectives were to evaluate the effectiveness of invoice processing controls in ensuring that payments are only made for services actually provided in accordance with the contract terms and detecting and preventing errors and irregularities. We also evaluated the contract administrator's monitoring efforts regarding compliance with the Broward County Living Wage Ordinance.

Our review focused on controls at agencies that expended more than \$100,000 for security services with Wackenhut during Fiscal Year 2007. These agencies identified in Table 1 (page 5) paid a total of \$5,848,168 for security services representing 97% of all payments to Wackenhut for the year. We evaluated the processing of security services invoices for the week ending September 30, 2007.

Table 1 below lists the agencies and the number of sites reviewed.

**Table 1  
Agencies Reviewed  
(Payments to Wackenhut  
greater than \$100,000 in 2007)**

<b>Agency</b>	<b>Invoice Amount</b>	<b>Number of Sites Reviewed</b>
Broward County Aviation Department	\$2,180,628	2
Facilities Maintenance Division	1,661,610	3
Libraries Division	622,984	3
Water and Wastewater Services	312,312	2
Office of Transportation	285,602	2
Parks and Recreation Division	258,491	2
Broward Addiction Recovery Center	197,295	2
Traffic Engineering Division <sup>2</sup>	176,015	1
Highways and Bridge Maintenance	153,231	1
<b>Total</b>	<b>\$5,848,168</b>	<b>18</b>

Source: Advantage Financial System

## Methodology

To accomplish our objectives, we

1. Reviewed the:
  - Master agreement between Wackenhut Corporation and Broward County,
  - Accounting Division's Internal Control Handbook, Chapter 3, and
  - Broward County Living Wage Ordinance 2002-45.

<sup>2</sup> Expenditures for building security services are reimbursed by the State of Florida Department of Transportation.

2. Interviewed staff in the Purchasing Division and the following user agencies:
  - Aviation Department
  - Facilities Maintenance Division
  - Libraries Division
  - Water and Wastewater Services
  - Office of Transportation
  - Parks and Recreation Division
  - Broward Addiction Recovery Center (BARC)
  - Traffic Engineering Division, and
  - Highway and Bridge Maintenance Division
  
3. Evaluated the effectiveness of existing controls.

## Background

### Contract Overview

On June 21, 2005, Wackenhut entered into a three-year master agreement with the County, with two one-year renewal options. The agreement provides for security personnel services and associated equipment including motorized vehicles and bicycles. The agreement named the Director of FMD as contract administrator; however, a total of sixteen County agencies used the master agreement to purchase security services during fiscal year 2007.

For fiscal years 2005, 2006, and 2007 payments to Wackenhut totaled approximately \$14.9 million and are detailed in Table 2 below:

**Table 2**  
**County Payments to Wackenhut**  
**Fiscal Years 2005 through 2007**

Fiscal Year	Total Payments
2005	\$ 3,921,677
2006	4,952,321
2007	6,001,218
<b>Total</b>	<b>\$14,875,216</b>

*Source: Advantage Financial System*

The agreement:

- Requires Wackenhut and subcontractors to comply with the Broward County Living Wage Ordinance 2002-45, and
- Establishes billing rates for equipment and Class II, Class III, and Supervisory level security personnel which are adjusted annually in the same percentage and at the same time as the adjustment for the Broward County Living Wage Ordinance.

Table 3 below lists the hourly billing rates for fiscal years 2006, 2007 and 2008:

**Table 3  
Wackenhut’s Hourly Billing Rates  
For the Past 3 Fiscal Years**

Fiscal Year	Hourly Billing Rates					
	Class II		Class III		Supervisor	
	Base	Overtime	Base	Overtime	Base	Overtime
2006	\$16.85	\$23.59	\$19.01	\$26.61	\$22.94	\$32.12
<b>2007</b>	<b>\$17.64</b>	<b>\$24.70</b>	<b>\$19.90</b>	<b>\$27.86</b>	<b>\$24.02</b>	<b>\$33.63</b>
2008	\$18.37	\$25.71	\$20.72	\$29.00	\$25.00	\$35.01

Source: Wackenhut Contract and Office of County Auditor Analysis

**Services Provided**

The Agreement allows County agencies to request Class II, Class III, and Supervisory level guards. These guards perform duties including:

- Control access to the Agencies - serve as “greeters,” answer questions, and provide guidance to customers
- Monitor and respond to alarms, central radio dispatch, and emergencies
- Monitor cameras and other security equipment
- Patrol on foot and/or by vehicle
- Operate magnetometer equipment at three regional court house locations
- Complete security logs and incident reports as required
- Provide first responders for emergencies

**Guard Qualification Requirements**

Guards must be at least 21 years old, pass a background verification, and possess a State of Florida security officer license. Guards are classified as follows:

Class II guard:

- One year of law enforcement or military experience with honorable discharge,  
**or**
- At least two years college experience resulting in an associate degree or higher,  
**or**

- One year as a security supervisor or three years security experience with a meaningful employment history.

Class III guard<sup>3</sup>:

- Graduate from a certified federal, state, county, or local law enforcement training program, military police training or equivalent with appropriate certificate or diploma, and
- Minimum three years experience in certified law enforcement in a military or civilian setting (applies to armed officers only).

Site Supervisor:

- Graduate from a certified federal, state, county, or local law enforcement training program, military police training or equivalent, with appropriate certificate or diploma,
- Minimum three years experience in certified law enforcement in a military or civilian setting, and
- Verifiable supervisory experience within either civilian law enforcement, military, or with certified security firm.

**Invoice payment process**

Security guards are required to complete a security log to document the time at the beginning and at the end of each shift. For agencies with 24 hours daily coverage the Wackenhut guards are instructed to wait for their replacement guard at the end of the shift before leaving the post in order to provide seamless coverage. At the end of the weekly payroll cycle, the guard submits the security log to the Wackenhut Corporate office to be used for payroll and billing purposes.

Weekly Wackenhut invoices are mailed directly to each County agency. The invoice details daily regular and overtime hours for each guard assigned to the agency, the applicable billing rates, and the total amount due. Agency personnel are to review invoices and security logs, and approve invoices for payment. After the invoice is approved for payment, the agency generates a purchase order and/or a receiver document in the Advantage Financial System.

The approved invoice and receiver documents are forwarded to the Accounting Division for payment processing.

## Findings and Recommendations

**Finding 1 Controls over security logs and the invoice review process are deficient and may result in billing inaccuracy**

Security guards are required to enter their time on a security log at the beginning and end of each shift. Weekly, the log is delivered to Wackenhut's Corporate Office by the guards and used to process payroll and invoices to the County. We reviewed the

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<sup>3</sup> Armed guards must be Class III and have a State of Florida Gun License.

invoices, security logs and other documentation for 18 sites at nine County agencies for the week ended September 30, 2007 and found the following control weaknesses:

- **Security logs were not reviewed and validated daily by County personnel.**  
County personnel at 14 of the 18 sites did not review or validate the sign-in and sign-out times entered on security logs. As a result, hours entered on the logs may not represent actual hours of security services provided.

Three of the four guards at one Parks and Recreation Division site did not enter hours worked on the security log. In an effort to substantiate the hours worked, we located radio logs which documented the guards' activities during the shifts and confirmed that the guards were at the site. However, we were unable to validate 47.75 hours billed by Wackenhut for 9/24/07 - 9/28/07 totaling \$842.31.

- **Staff at 12 of the 18 sites did not provide evidence that hours billed were compared to the security logs.**  
County personnel at **10** sites did not provide evidence that the hours billed on the invoices were verified to the security logs. County personnel at **two** other sites, where guards were used 24 hours daily, reported invoices were approved and paid based on budgeted hours. This practice could result in overbilling if actual hours worked were less than scheduled hours.

- **Guard qualifications were not verified by five of the six agencies utilizing Class III and Supervisory level guards.**

BCAD was the only agency reviewing guard qualifications assigned to the agency in fiscal years 2006 and 2007. BCAD found Wackenhut billed the department for Class III guards but the guards provided only met Class II qualifications. The billing rate for a Class III guard exceeds the rate for a Class II guard by more than \$2.00 per hour. BCAD determined Wackenhut over charged the department by \$18,900 which was recovered in November 2007.

The following five agencies also requested and paid for Class III and/or Supervisory level guards but **did not** verify their qualifications:

- Water and Wastewater Services
- Office of Transportation
- Libraries Division
- Facilities Maintenance Division, and
- Traffic Engineering Division

Failure to perform thorough verification of hours billed and confirm guard qualifications could result in overbilling.

## Recommendations

To ensure billing accuracy and strengthen controls over contract administration, we recommend the Board of County Commissioners direct the County Administrator to:

1. Develop and implement procedures to ensure future invoices for security services are appropriately reviewed to include:
  - validation of hours reported on the security logs and comparison to billed hours,
  - comparison of rates to the contract,
  - verification of qualifications of guards and site supervisors, and
  - substantiation of overtime charges.
2. Review all previous charges for Class III guards and site supervisors to ensure the personnel provided met the requirements of the billed classification and recover any resulting overpayments by December 31, 2008.

### **Finding 2 The County paid overtime for guards at 14 branch libraries contrary to the provisions of Article 4 of the agreement**

Articles 4.1.2 and 4.1.4 of the agreement require:

- Wackenhut provide written notice to the County within 48 hours whether additional shifts of less than 8 hours cannot be provided without using employees subject to overtime,
- No overtime may be charged for the services if Wackenhut fails to provide such notice, and
- Any request for overtime compensation must be accompanied by payroll documentation showing payment to security guard for overtime hours directly attributed by the County.

During our review of invoices for the week ended September 30, 2007, we found the three branch library locations paid overtime charges without the documentation required by Article 4 of the agreement. We expanded our review to include the remaining branch locations and confirmed an additional 11 libraries also paid overtime without the documentation required by Article 4 of the agreement. We found 233 hours of overtime was paid for the week for a total incremental cost of \$1,655, although there was no evidence that Wackenhut provided the required written notification and payroll documentation to substantiate payment of overtime to the employees.

## Recommendation

We recommend the Board of County Commissioners direct the County Administrator to:

3. Take steps to ensure future overtime charges are reviewed for compliance with the contract provisions prior to payment.
4. Review Wackenhut's payroll documentation substantiating overtime charges paid by the Libraries Division and recover any overpayments by December 31, 2008.

### **Finding 3 Existing payroll review procedures are impractical and insufficient to evaluate compliance with the living wage ordinance**

Section 26-103(d) of the Broward County Living Wage Ordinance (LWO) No. 2002-45 requires that every six months covered employers provide the Contract Administrator (CA) with payroll records for each covered employee working on the contract and requires the CA to review the payroll information for compliance within 60 days. Article 10.21 of the agreement requires Wackenhut and its subcontractors comply with the LWO.

In accordance with the ordinance, FMD obtained payroll information from Wackenhut and its two subcontractors. However, FMD did not confirm the names of guards providing security services with the respective user agencies. Confirmation with the user agencies is necessary to provide independent assurance that the payroll information accurately reflects all guards that provided service to the County. As a result, FMD's efforts were not sufficient to evaluate compliance with the LWO.

In response to our draft report, FMD management stated that obtaining the names of employees providing services subject to the LWO is impractical. Invoices submitted under most contracts identify services provided and do not include the names of the contractors' employees. Further, the user agency would not generally know the names of the contractors' employees. Therefore, determination of compliance with the LWO would necessitate an indepth review of the contractors' payroll, timekeeping records and invoices.

We noted that:

The Living Wage program has matured. Since implementation on October 1, 2003, contractors, their employees and County staff have gained adequate knowledge of and experience with the ordinance requirements reducing the probability of non-compliance.

The cost to effectively examine all payroll information provided by covered contractors is not justified. Monitoring compliance by responding to specific complaints and periodic sampling would be more cost effective.

### **Recommendation**

5. We recommend the Board of County Commissioners direct the County Administrator, with the assistance of the County Attorney, to draft an amendment to the Living Wage Ordinance deleting the requirement for an examination by the contract administrator of payroll information within sixty days of receipt.

### **Finding 4 Existing procedures do not sufficiently explain how to apply the health benefit provisions of the Living Wage Ordinance**

FMD staff reported difficulty in determining compliance with the ordinance as it relates to health benefits provided by the employer. Our review confirmed that existing procedures do not sufficiently explain how to determine the employer's health benefit cost, how to handle employer contributions toward such costs and how to handle instances where the employer's health benefit cost is less than the amount required. As a result we could not determine if Wackenhut was in compliance with the LWO.

Detailed procedures are necessary to provide guidance to ensure compliance with and consistency in the application of the ordinance.

### **Recommendation**

6. We recommend the Board of County Commissioners direct the County Administrator, with the assistance of the County Attorney, to develop and implement procedures to provide guidance in the application of the Broward County Living Wage Ordinance.