



## Inspector General Insights

**Background:** Hurricane Ian made landfall in Southwest Florida on Wednesday, September 28, 2022, as a major category 4 storm. This made it one of the most powerful storms to ever hit the U.S. resulting in the loss of life and widespread damage due to a combination of high winds and high storm surge. The storm left millions throughout Florida without power, therefore, Collier County sought services from two contracted vendors, one for generator rental (rental vendor, LJ Power, Inc.) and another for generator maintenance and repair (repair vendor, PowerSecure Services, Inc.).

**Objective:** The objectives of this review consisted of the following:

1. Determine if the billings are in compliance with contract 18-7324 "Generator Maintenance, Repair & Installation".
2. Determine if the amounts paid would be considered compliant and reasonable with a subsequent FEMA audit.

**Scope:** The scope of the above-mentioned objectives consisted of the review of invoices over \$1,000.00 under Purchase Order (PO) 4500220324, PO 4500219981, and PO 4500219986 for services provided post-Hurricane Ian.

**Observations:** During the invoice review process, the following observations were noted:

Rental vendor/LJ Power, Inc.:

- The rental vendor sought generators from across the nation resulting in high freight charges for the County. Although the contract did not address freight charges, these costs amounted to \$84,216.00, representing roughly 26% of the total invoice amount. This amount was originally short paid but was later paid in full upon the rental vendor providing the appropriate backup documentation, which amounted to \$87,466.00. The revised amount submitted was greater than the \$84,216.00 amount originally billed and approved by the Board of County Commissioners (BCC). Accordingly, the lesser amount approved was paid.
- The rental vendor invoiced the higher weekly rates for the 24 units, rather than the lower monthly rate for the generator rentals requested by the County. The vendor invoiced \$239,600.00 based on the weekly rate, whereas the Clerk authorized payment for \$152,900.00, calculated using the lower monthly rates.

In response to the County's request, the vendor explained that he had to source 19 out of the 24 generators from various locations nationwide, necessitating weekly rates, while only 5 generators were supplied directly. The Wastewater Project Manager agreed to the increased charges and the additional generators were obtained. However, the Office of Inspector General (OIG) raised concerns regarding these expenses, questioning both the Project Manager's authority to approve the cost increase and the rationale behind paying weekly rates for a month-long rental period. The contract does not specify when a weekly versus a monthly rate should be applied.

Division staff requested the rental vendor to provide supporting documentation for their direct cost of obtaining the additional 19 generators in order to justify these increased charges. After submitting the necessary information, the OIG requested original invoices directly from the suppliers for independent review. Upon evaluation, the division staff determined that a fair and reasonable markup of 15% was appropriate in addition to the direct costs incurred by the rental vendor. This calculated to an additional \$45,922.98 to be released back to the vendor, in addition to the amount previously released at \$152,900.00. This adjustment amounted to \$135,938.98, which consisted of \$45,922.98 in increased rental costs, \$87,466.00 in freight costs, and \$2,550.00 in environmental charges, which was considered a pass-through cost. This would have resulted in an overall short payment of \$34,977.02 of the total invoiced amount.

However, at the time, there was another agreement between the rental vendor and the County for the purchase of 53 portable generators for \$3.8 million, of which \$2.9 million would be funded by a grant. The rental vendor advised division staff that if the County won't pay what staff requested and agreed to, the vendor has no desire to continue doing business with the County. The vendor then placed a hold on the production of the new 53 units. Because delaying the production of the units jeopardized the \$2.9 million in grant funds, County staff decided that it was in the County's best interest to pay the vendor the remaining \$34,977.02. Ultimately, on March 14, 2023, the BCC approved the payment of \$170,916.00, which consisted of the OIG recommended amount of \$135,938.98, and the remaining amount of \$34,977.02. Subsequently, the invoice was paid in full.

#### Repair vendor/PowerSecure Services, Inc.:

- The repair vendor billed for standby technicians at some of the shelters and various campus sites, a charge not explicitly allowed in the contract. In addition, some of the standby hours for the technicians exceeded 24 hours per day. After questioning by the OIG, the invoice was revised to reflect the correct hours.
- The repair vendor provided a photo of the total pump charge as supporting documentation, instead of providing the gas receipt. The response received by the vendor was that most gas stations were affected by the storm, preventing the pump station from generating a receipt. Consequently, the technician stated they had to take a photo to document the transaction amount of \$421.55. The vendor stated they were unable to obtain the actual receipt for reimbursement, and the payment was made for the \$421.55 billed.
- The repair vendor applied a markup on tax and applied an incorrect markup on suppliers. This discrepancy was rectified, and the vendor was paid correctly.
- The repair vendor billed for duplicative hours, which were not paid.
- The repair vendor provided incorrect backup for a delivery charge, which was not paid.



**Recommendations & Actions:** Based on the observations noted above, the following recommendations were made:

- Solicitation and contract should be specific to total cost and not include freight from anywhere. The newly awarded contract 23-8145 “Generator Rental Services” specifically states “Rental services shall include all equipment, labor, materials, supplies, including support accessories, transportation, delivery to County designated location, pickup and removal.”
- Specifically address the standby technician time in the contract to remove any ambiguity in the requirements of emergency response from the vendor.
- Procurement has agreed to amend the newly solicited contract 23-8091R “Generator Maintenance and Repair Services” to specifically call out fee particulars regarding the services offered during a storm. An amendment was executed on February 7, 2024, which included language specific to the services offered during a natural disaster.
- Procurement has further agreed to amend the newly solicited contract 23-8145 “Generator Rental Services” to correct a typographical error in the pricing schedule. An amendment was executed on January 17, 2024, which corrected the error.

**Management response:** The following responses were received:

- Response received from Wastewater division:
  - Management reviewed, discussed and concurred that the insights conducted by the Clerk’s Office was beneficial and appreciative. We are pleased to see that several of the recommendations were enacted by Procurement in the form of contract amendments. Moreover, we were very pleased with PUD’s response which resulted in minimal environmental impacts and the solidification of our customer’s trust in PUD’s ability to maintain public health and safety.
- Response received from Facilities Management division:
  - It is Management’s determination that the Clerk’s Office observations and recommendations are believed to be both accurate and beneficial. The contract modifications and amendments made to the two (2) newly solicited generator contacts have improved County response and support services to the building emergency power equipment.
  - The response shown by Facilities Management staff and supporting vendors during the activation period was promising and responsive, allowing our generator supported building systems to remain operational with minimal building impact.

**Conclusion:** Overall, this review resulted in \$6,188.46 in taxpayer savings. Contract 18-7324 “Generator Maintenance, Repair, and Installation” with LJ Power, Inc. and PowerSecure Services, Inc. has since expired. The following two new contracts have been executed:

- 23-8091R “Generator Maintenance and Repair Services” with Genserve LLC. It is important to note that Genserve acquired LJ Power, Inc. in 2021.
- 23-8145 “Generator Rental Services” with 360 Energy Solutions, LLC, as primary vendor, United Rentals (North America), Inc., as secondary vendor, and Herc Rentals, Inc., as tertiary vendor.

The recommendations made were reviewed and agreed upon by the Procurement division, and the proper changes have been made via amendments to the new contracts.

Total # Transactions	Amounts Audited or Reviewed	Questioned Costs	Taxpayer Savings	# Observations / Recommendations
19	\$667,493.67	\$224,930.41	\$6,188.46	4