



Internal Audit Assessment of Vendor Contract with Facility Contract Services, LLC (FCS)

July 29, 2025

Pembroke Pines Commissioners

The Honorable Mayor and Members of the City Commission
City of Pembroke Pines, FL

We have performed the procedures enumerated in Assessment Procedures of this report, which were agreed to by the Commission of City of Pembroke Pines (City) pursuant to our contract dated January 2, 2025, solely to assist you with respect to completing a portion of the City's internal audit plan for the year as of and for the 2025 ended September 30, 2025, which includes the internal audit of Facility Contract Services (FCS) vendor contract.

The engagement was performed in accordance with consulting standards established by the American Institute of Certified Public Accountants (AICPA). Our services were provided in accordance with Global Internal Audit Standards established by the Institute of Internal Auditors. We were not engaged to, and did not, conduct a financial statement audit or an examination, the objective of which would be the expression of an opinion on the financial statements or any elements, accounts, or items thereof as part of this engagement. Accordingly, we do not express such an opinion.

Our engagement did not include a detailed examination of all transactions and was not designed, and cannot be relied upon, to discover all errors, irregularities, or illegal acts, including fraud or defalcations, that may exist. Had we performed additional procedures, other findings of significance may have been reported to you. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the Appendix of this report for the purpose for which this report has been requested or for any other purpose.

This report summarizes the scope of the engagement, the procedures performed and the results of our procedures.

Our report is intended for use only by the city management and solely for reporting findings with respect to the procedures performed by us. This report is not intended to be, and should not be, used by anyone other than these specified parties unless express written consent is obtained from Forvis Mazars, LLP.

Forvis Mazars, LLP

Forvis Mazars, LLP

July 29, 2025

¹ Tailor specified users as applicable. External auditors should not be included as a specified user.

Internal Audit Assessment of FCS

Background

- The City engaged FCS to supply personnel necessary to carry out functions that benefit the City.
- The original contract between the City and FCS was executed in October 2018 for a five-year period. The First Amendment of the contract was executed in April 2023 for an additional five-year period and is set to expire on September 30, 2028.
- As part of the First Amendment, the burden rate was renegotiated from 20% to a range of 19% to 20% based on the annualized gross payroll of employees provided to the City by FCS.
- A burden rate represents the total indirect costs associated with employing a worker, expressed as a percentage of their direct labor cost.
- Our scope and objective included considerations related to the accuracy and completeness of employee background checks and payroll paid by the city, along with the appropriate burden rate.
- **Observations** are defined as opportunities where Pembroke Pines can align with best practices within the industry, enhance efficiencies of operations, or prevent risks that may have a negative impact on Pembroke Pines's ability to meet their objectives.

Internal Audit Assessment of FCS

Objective and Scope

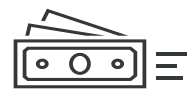
Objective: Forvis Mazars evaluated the vendor’s adherence to contract requirements concerning employee background checks and payroll invoicing, as well as the overall operational efficiency in delivering professional employment services to the City.

Scope: Our scope included FCS invoicing of payroll and background checks from October 2023 to current.



Background Checks

Forvis Mazars randomly selected a sample of background checks to assess for completeness and adherence to the City’s contract for both active and terminated employees.



Payroll and the Applicable Burden Rate

Forvis Mazars randomly selected a sample of monthly invoices for FY23 and FY24 from FCS and verified that the amounts reconciled to the supporting documentation. We also verified that the appropriate burden rate was applied based on the gross annual payroll.

General Observations

Contract Management

- Background Checks
 - The contract between the City and FCS includes performing the appropriate background checks on employees hired by FCS working for the City. This included statewide criminal search, nationwide criminal search (level II), driver record search, drug screening, and fingerprinting. All employees had the appropriate documentation required for their position.
 - City staff indicated that the background check requirements are currently under review by the State. Once updated, the revised requirements should be incorporated into the City's policy and communicated to FCS as part of a revised contract.
- Burden Rate
 - A Burden Rate (BR) of 19% was applied appropriately throughout the year; however, there is no policy or procedure outlining the method of its application, which could enhance transparency and business continuity.
- Admin Fee
 - The term “Admin Exp’s” is included as part of the grouping of expenses associated with the payroll Burden Rate. However, using “Admin” in this context is potentially confusing, as the agreement also includes a separately billed Administrative Fee.

Important Metrics
<p>The City previously contracted with The Haskell Company for professional employment services. The Haskell Company provided notice to the City of its intent to terminate the agreement, and it was assigned to FCS. FCS conducted background checks in compliance with City’s policy and Florida Statue 768.096. See Appendix. From October 1, 2018, until June 30, 2025, FCS hired approximately 600 individuals in all categories (full-time, part-time, temporary, etc.) performing various services for the City of Pembroke Pines.</p>

Burden Rate Was Accurate, But The Process Could Be Clarified and Documented

Observation #1 – A Burden Rate (BR) of 19% was applied to all invoices appropriately throughout the year; however, the process is not documented.

The gross payroll was \$15,791,149.33 for FY23 and \$17,408,405.62 for FY24. A burden rate of 19% was appropriately applied as per contract terms. Forvis Mazars reviewed a sample of monthly invoices and supporting documentation submitted by FCS. Pembroke Pines’ leadership indicated that their method for calculating the burden rate throughout the year is based on the gross annual budget for FCS if it exceeds \$12 million, and at the end of the fiscal year, staff reviews the gross payroll and reconciles the burden rate accordingly to ensure compliance with the contractual thresholds.

Recommendation: The process for applying the burden rate to monthly invoices and performing reconciliation based on the total annual gross payroll threshold should be clearly documented internally.

Management Response: As noted above, the Burden Rate was calculated correctly. The vendor prepares and submits invoices to the City that includes the 19% Burden Rate, indicating their agreement with its application. The vendor is also aware that if the budgeted payroll for FCS significantly exceeds the \$12 million threshold, that will trigger the use of the 19% rate. To address the recommendation, the City will issue a memo to FCS at the start of each fiscal year to formally document which Burden Rate will be applied to the biweekly payroll. This process can also be incorporated into future contract amendments for clarity.

Gross Payroll and Applicable Burden Rate	
Gross Payroll (Annualized)	Applicable Burden Rate
\$12,000,000 and above	19%
\$10,000,000 to \$12,000,000	19.5%
Less than \$10,000,000	19%

Admin Expense/Fee on Payroll Invoices

Observation #2 – The term “Admin Exp’s/Fee” is included as part of the grouping of expenses associated with the payroll Burden Rate. However, using “Admin Exp’s/Fee” in this context is potentially confusing, as the agreement also includes a separately billed Administrative Fee.

Currently, the payroll invoice line is written in a way that may suggest the administrative fee is included in the burden rate, but they are a separate charge. The burden rate does not include the \$1,500 administrative fee. The wording is confusing by combining them together on the payroll invoices, but we were able to verify that the City pays the administrative fee through a separate invoice.

Recommendation: Forvis Mazars recommends removing any language other than the burden rate percentage from the line on the payroll invoice. This will ensure the invoices reflect only the appropriate fee and amount, preventing any confusion and maintaining compliance with the contract.

Management Response: Effective immediately, management will request that the vendor revise the payroll invoice language to state 'Burden Rate (19%)' only.

Administrative Fee	Language from Payroll Invoice
The contract language includes an administrative fee of \$1,500 to be paid by the City monthly (\$18,000 annually). Failure to pay the administrative fee because of language that is unclear on the invoices may result in a 1% interest charge, which could increase the overall cost.	Payroll Taxes (Burden) / Corp. OH / Admin. Exp's / Fee (19%)


Appendix

Appendix A: Assessment Procedures

Below are procedures performed prior to this presentation:

- Reviewed the contract to identify testing relevant to FCS for risk areas.
- Obtained existing documentation, procedures for the in-scope areas and assessed the process and control environment.
- Conducted walkthroughs with process owners and key stakeholders.
- Obtained documentation to support each process within the review areas.
- Identified potential gaps and opportunities for improvement as observations.

Appendix B: Florida Statue 768.096



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2011 Florida Statutes

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TORTS

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SECTION 096
Employer presumption against negligent hiring.

768.096 Employer presumption against negligent hiring.—

(1) In a civil action for the death of, or injury or damage to, a third person caused by the intentional tort of an employee, such employee’s employer is presumed not to have been negligent in hiring such employee if, before hiring the employee, the employer conducted a background investigation of the prospective employee and the investigation did not reveal any information that reasonably demonstrated the unsuitability of the prospective employee for the particular work to be performed or for the employment in general. A background investigation under this section must include:

- (a) Obtaining a criminal background investigation on the prospective employee under subsection (2);
- (b) Making a reasonable effort to contact references and former employers of the prospective employee concerning the suitability of the prospective employee for employment;
- (c) Requiring the prospective employee to complete a job application form that includes questions concerning whether he or she has ever been convicted of a crime, including details concerning the type of crime, the date of conviction and the penalty imposed, and whether the prospective employee has ever been a defendant in a civil action for intentional tort, including the nature of the intentional tort and the disposition of the action;
- (d) Obtaining, with written authorization from the prospective employee, a check of the driver’s license record of the prospective employee if such a check is relevant to the work the employee will be performing and if the record can reasonably be obtained; or
- (e) Interviewing the prospective employee.


(2) To satisfy the criminal-background-investigation requirement of this section, an employer must request and obtain from the Department of Law Enforcement a check of the information as reported and reflected in the Florida Crime Information Center system as of the date of the request.

(3) The election by an employer not to conduct the investigation specified in subsection (1) does not raise any presumption that the employer failed to use reasonable care in hiring an employee.

History.—s. 16, ch. 99-225.

Quick Links

- [General Laws Conversion Table \(2024\)](#) [PDF]
- [Florida Statutes Definitions Index \(2024\)](#) [PDF]
- [Table of Section Changes \(2024\)](#) [PDF]
- [Preface to the Florida Statutes \(2024\)](#) [PDF]
- [Table Tracing Session Laws to Florida Statutes \(2024\)](#) [PDF]
- [Index to Special and Local Laws \(1971-2024\)](#) [PDF]
- [Index to Special and Local Laws \(1845-1970\)](#) [PDF]
- [Statute Search Tips](#)



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