

OKALOOSA COUNTY CLERK OF CIRCUIT COURT



DEPARTMENT OF INSPECTOR GENERAL



REPORT ON THE COMPLIANCE AUDIT OF TRANSIT CONTRACT C 19-2761-TS

&

LEASE L 19-0472-TS

REPORT NO. BCC 25-01

REPORT ISSUED OCTOBER 17, 2025

ISSUED BY: RENEE FENNELL LARKEY, INSPECTOR GENERAL



DEPARTMENT OF INSPECTOR GENERAL

OKALOOSA COUNTY, FLORIDA

BRAD EMBRY, CLERK OF CIRCUIT COURT AND COMPTROLLER



October 17, 2025

John Hofstad
County Administrator
Okaloosa County Administration Building
1250 N. Eglin Parkway
Shalimar, FL 32579

Mr. Hofstad,

Please find attached the final report on our compliance audit of Contract (C19-2761-TS) and Lease (L19-0472-TS) for Okaloosa County Transit operations.

Our work served as a compliance review of the contract and lease terms. We evaluated the accuracy of invoices, payments, and assessed the oversight and monitoring controls from January 1, 2019, until April 30, 2025.

Our office would like to thank Tyrone Parker, Jane Evans, Sheila Fitzgerald, John Bohannon (MV's General Manager), and the rest of the Transit staff for the cooperation and accommodation afforded us. Should you have any questions please do not hesitate to call me at (850) 689-5000 Ext. 3432.

Respectfully,

Renee F. Larkey, Inspector General

CC: Brad Embry, Okaloosa County Clerk of Courts and Comptroller

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Executive Summary

This audit was conducted as part of the Department of Inspector General 2025 Audit Plan, following the 2024 County-wide Risk Assessment. The objective of this audit was to evaluate the contract (C19-2761-TS) and lease agreement (L19-0472-TS) that Okaloosa County has with MV Transportation, Inc. (MV) for Transit Services, covering the period from January 1, 2019, through April 30, 2025.

The audit assessed compliance with contract and lease terms, accuracy of invoicing and payments, operational efficiency, and the effectiveness of oversight and monitoring controls. Testing included a review of all contract amendments, invoice documentation, vehicle maintenance records, insurance documentation, personnel training, and citizen feedback.

Conclusion

The audit identified significant instances of noncompliance by both MV and the County. MV did not consistently fulfill its contractual, amendment, and lease obligations. This was enabled by the County not providing adequate oversight to ensure MV's performance and compliance with all agreements' terms and conditions.

Key Findings

- The County had insufficient contract oversight, which allowed noncompliant contract alterations that contributed to overpayments exceeding \$850,000.
- MV was found to be noncompliant with multiple contract and lease terms, including invoicing accuracy, training requirements, insurance documentation, lease payments, and management personnel changes.
- The County was found to be noncompliant with multiple contract and lease terms, these included not assessing approval fees, not assessing all available liquidated damages, having adequate vehicle preventive maintenance, and the vehicle lease was not renewed in accordance with its terms.

Recommendations

To address these issues, the audit recommends:

- Clarifying contract language to eliminate ambiguity.
- Consolidating contract and lease terms into a single agreement.
- Establishing enforceable marketing and outreach standards.
- Modernizing fare collection methods.
- Tailoring vehicle maintenance programs to manufacturer specifications.
- Strengthening internal controls to establish more effective contract oversight.
- Enhancing staff training regarding contract terms, obligation, and responsibilities to increase compliance.

A new Request for Proposal (RFP) for transit services beginning January 1, 2026, has already incorporated several of these recommendations. Continued focus on improving oversight and accountability will be essential to ensuring the success of future transit operations.

Introduction

Based on the 2024 County-wide Risk Assessment, the Department of Inspector General 2025 Audit Plan included an examination of the Okaloosa County Transit Department's (Transit) contract and lease agreement with MV Transportation Incorporated (MV).

Objective

The objective of the audit was to determine compliance with the contract and lease terms, evaluate the accuracy of invoices and payments, assess operational efficiency and effectiveness, and review contract oversight and monitoring controls.

Scope and Methodology

The scope of the audit was Contract C19-2761-TS and Lease L19-0472-TS along with all amendments, during the period January 1, 2019 – April 30, 2025. Our audit methodology included a review of the Contract, Lease, all amendments, prior audits, and Contract responsibilities; interviews with Transit management and staff, MV's General Manager; inspection of Transit vehicles and buildings; evaluation of citizen surveys; examination of vehicle maintenance records, insurance requirements, liquidated damages, invoices, and MV staff training records. All documentation for the Contract, Lease, and all amendments were obtained from Okaloosa County's document management and storage system (OnBase) and the procurement platform (Vendor Registry).

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, waste, or abuse. This includes the design, implementation, and maintenance of internal controls relevant to the objectives. This review was conducted in compliance with Standards for Offices of Inspector General issued by the Association of Inspectors General and the International Professional Practice Framework issued by the Institute of Internal Auditors.

Background

On September 24, 2018, the Okaloosa County Board of County Commissioners (BCC) Issued an Invitation to Negotiate (ITN) to advertise for a new public transportation contract to begin service on February 1, 2019. On December 3, 2018, Maruti, the public transportation contractor at the time, requested that a transition to a new public transportation provider be completed by December 31, 2018, this caused the original timeline to be accelerated.

On December 18, 2018, the BCC approved and awarded Contract C19-2761-TS (Contract) to MV with a beginning date of January 1, 2019. This contract was set to expire on December 31, 2023, with the option of two one-year renewals. This contract sets the annual number of service hours to 80,000 (50,000 Paratransit services and 30,000 to Fixed Route). The hourly rate to be paid to MV per this contract is: Year one \$37.47, Year two \$35.87, Year three \$36.83, Year four 37.88, and Year five \$38.39. There have been six amendments to this contract.

Contract Amendment One was signed and executed on September 29, 2020. This was a temporary amendment to provide supplemental payments to MV for unanticipated reductions in revenue hours, due to the Covid 19 pandemic, from March 1, 2020, until February 28, 2021. This amendment provided reimbursements to MV for personnel costs (i.e. paid leave) from March 01, 2020, through August 31,

2020, and for any COVID-19 expenses associated with the acquisition of Personal Protective Equipment (PPE), cleaning supplies, physical space modifications, remote work costs, and testing expenses that were not reimbursed/covered by MV's insurance providers. This amendment also waived all assessed liquidated damages (LD) from March 1, 2020, through February 28, 2021, and required the County to reimburse MV for any liquidated damages already paid during that period. Liquidated damages are a provision in the Contract that establishes a fixed, reasonable amount of compensation payable if a MV fails to meet specific terms, such as deadlines or performance requirements.

Contract Amendment Two was signed and executed on March 2, 2021. This was a temporary amendment to provide supplemental payments to MV for unanticipated reductions in revenue hours from March 1, 2021, until September 30, 2021. It provided reimbursements to MV for personnel costs (i.e. paid leave) and for any COVID-19 expenses associated with the acquisition of PPE for employees and overall operations from March 1, 2021, through September 30, 2021. This amendment also waived all assessed liquidated damages from March 1, 2021, through September 30, 2021.

Contract Amendment Three was signed and executed on March 1, 2022, and was retroactive to February 1, 2022. This amendment added three additional LD that could be assessed on MV and provided an immediate increase in the wages of MV's operational personnel and an additional 3% for each of the following calendar years thereafter. To demonstrate compliance with the intent of this amendment it was required that MV:

- Provide proof that all employees received the wage increase for the initial and subsequent increases.
- Provide proof that recruiting materials met the new wage levels per position and subsequent increases.
- Demonstrate that MV has undertaken a robust employee recruiting effort until driver vacancies are below 5%.
- Report ongoing vacancy levels for the 6 months following this amendment (March-August 2022) and at any other time beyond the 6 months where driver vacancy levels exceed 10%.

Contract Amendment Three also increased the hourly rate of pay to MV. Payments were to be based on actual hours performed up to the monthly maximum hours allocated at a rate per hour of:

- February 2022 through April 2022: \$40.72
- May 2022: \$40.32
- June 2022 through December 2022: \$40.01
- January 2023 through December 2023: \$41.21
- January 2024 through December 2024: \$42.44 (If renewed)
- January 2025 through December 2025: \$43.71 (If renewed)

Contract Amendment Four was signed and executed on November 7, 2023. This amendment was a one-year renewal/extension to the original contract. This amendment was to begin on January 1, 2024, and end on December 31, 2024. This amendment added that the County and MV agree to negotiate compensation to be paid during this extension period no later than December 31, 2023.

Contract Amendment Five was signed and executed on January 02, 2024. This amendment restructured the pay rate and reduced the annual service hours from 80,000 to 64,000 (34,000 for Paratransit services

and 30,000 for Fixed Route). Payments at the full rate will be based on actual hours performed up to maximum 30,000 annual hours for Fixed Route and 34,000 annual hours for Paratransit service. Payments at a variable rate will be paid for any hours of service above the full rate thresholds. New pay rates are:

- January through December 2024:
 - o Full Rate: \$52.77
 - o Variable Rate: \$37.61
- January 2025 through December 2025: (If renewed)
 - o Full Rate: \$54.35
 - o Variable Rate: \$38.74

Contract Amendment Six was signed and executed on November 19, 2024. This amendment was a one-year renewal/extension to the original contract. This amendment was to begin on January 1, 2025, and end on December 31, 2025. This amendment added that the County and MV agree to the compensation that was agreed upon in Amendment Five.

On April 2, 2019, the BCC signed Lease L19-0472-TS (Lease) and made it retroactive to January 1, 2019, and expire on September 30, 2019. The Lease is a vehicle lease, as the County owns all the public transportation vehicles, which MV needed to use to perform the work agreed upon in the Contract. The Lease was to be renewed no later than September 30th of each year and continue until the Contract expired. A lease agreement is a requirement on some of the Federal and State grants that the County has been awarded for Transit operations.

There have been no amendments to the Lease, all amendments that are mentioned are amendments to the Contract.

Testing

Testing was conducted to evaluate whether the specific requirements and key terms established in the Contract, Lease, and all amendments were fully met by all parties, and to determine if any deviations from the agreed upon conditions occurred during the life of the agreements.

1. Invoice Documentation Sample

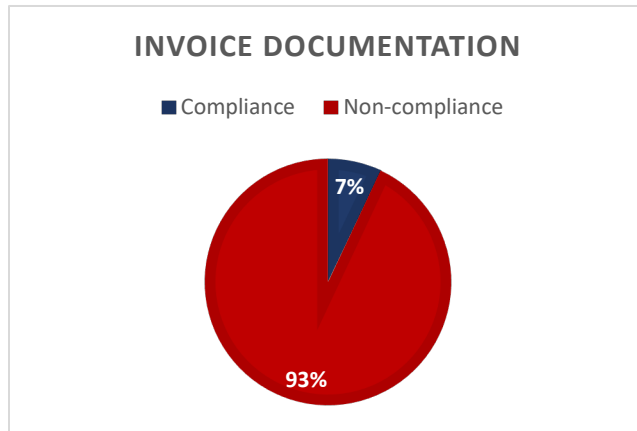
The objective of this procedure was to validate that invoicing documentation complied with the requirements set forth in the Contract during the period of January 1, 2019, through April 30, 2025.

Testing focused on a sample of invoices Transit received from MV and were stored in OnBase. From a population of 93 invoices, we used statistical sampling with a 95% confidence level with a 15% margin of error to determine our testing sample to be 30. We randomly selected the 30 invoices from the total population. The randomly selected testing sample included 26 monthly invoices that included invoices from each year in addition to four supplemental payment invoices. For each of the invoices in the testing sample, we reviewed mathematical correctness and whether the invoice in OnBase contained:

1. The total number of Vehicle Revenue Hours (VRH) for fixed route and paratransit service
2. Correct service hour rate per revenue hour for fixed route and paratransit service
3. Total amount due to vendor
4. Adjusted total the vendor is requesting from the County
5. Number of paratransit tickets the vendor has returned for credit

6. The returned paratransit tickets stamped clearly with “Cancelled”

Results:



- **Compliance:** 2 of 30 invoices (7%) fully complied with all applicable requirements. Both invoices were supplemental payment invoices that were approved through Amendment Two.
- **Noncompliance:** 28 of 30 invoices (93%) did not comply with all applicable requirements.

- **Noncompliance Explained:**

- 26 of 28 noncompliant invoices (93%), which were all the monthly invoices, did not include the number of paratransit tickets being returned for a credit, nor did they contain the paratransit tickets stamped with “cancelled”. In each of the invoices it only contained the amount being requested by the vendor for a credit of paratransit tickets.
- 2 of 28 noncompliant invoices (7%), both supplemental payment invoices for Amendment One, showed that payment calculations were incorrect based on sections 3.a.i and 3.a.iii of Amendment One. The payments were supposed to be made on actual hours performed or the respective months in the previous year (whichever hours were greater), up to a max of 4,166.67 hours. However, both invoices were paid a supplemental payment of 4,166.67 hours although the actual hours performed and the prior year hours performed for both invoices were less than 4,166.67 hours.
- 1 of 28 noncompliant invoices (4%), utilized an incorrect service hour rate for paratransit service, per Amendment Five. The total VRH that was billed at the full rate was 34001.4 hours. However, the maximum allowed VRH at the full rate, per Amendment Five, is 34,000 hours.
- 1 of 28 noncompliant invoices (4%), had the incorrect number of total fixed route VRH. The invoice showed VRH, and costs associated with individual fixed routes. However, the invoice also stated that the total VRH for fixed route was 0 hours. This error did not affect the invoice amounts, as they are invoiced on an individual route basis. This error does show noncompliance with a requirement of the contract.

2. All Invoice Review

Due to the errors in the billing calculations found in Invoice Documentation Sample testing, the entire invoice population was tested. The objective of this procedure was to evaluate the payment calculations of all invoices from January 1, 2019, through April 30, 2025.

Testing focused on all invoices Transit received from MV that were stored in OnBase. The population consisted of 93 invoices: 75 regular monthly invoices, eight - supplemental/reimbursement payments per

Amendment One, seven - Supplemental payments per Amendment Two, and Three - “ticket” invoices. The “ticket” invoices were to correct three prior invoiced periods where paratransit tickets were not credited to MV.

For the monthly invoices, we reviewed the invoice and all supporting documentation to verify whether the calculation VRH and service rate per hour were correct based on the contract requirements. To do this we reviewed:

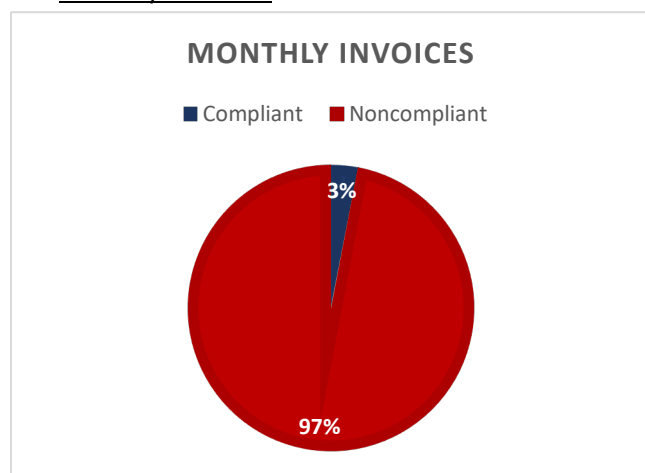
1. The actual fixed route and paratransit service VRH per supporting documentation
2. The billed fixed route and paratransit service VRH per invoice
3. The billed fixed route and paratransit service rate per hour
4. The monthly and yearly maximum VRH amounts.
5. Cost allocations totals

For all supplemental/reimbursement invoices we reviewed the calculation of the supplemental payments to ensure mathematical correctness and to verify whether the calculations used matched the applicable amendment calculations.

For “ticket” invoices, we reviewed to verify whether the paratransit ticket documentation required by the contract was submitted in each invoice.

Results:

a. Monthly Invoices:



- **Compliance:** 2 of 75 invoices (3%) contained no errors. These invoices: utilized the correct billing information (VRH and rate per hour), for both fixed route and paratransit services, according to the contract; contained supporting documentation that verified the VRH being claimed for each service type on the invoice; contained correct cost allocation totals.
- **Noncompliance:** 73 of 75 invoices (97%) were either missing documentation, contained mathematical errors, or contained other issues that were not in compliance with the Contract.

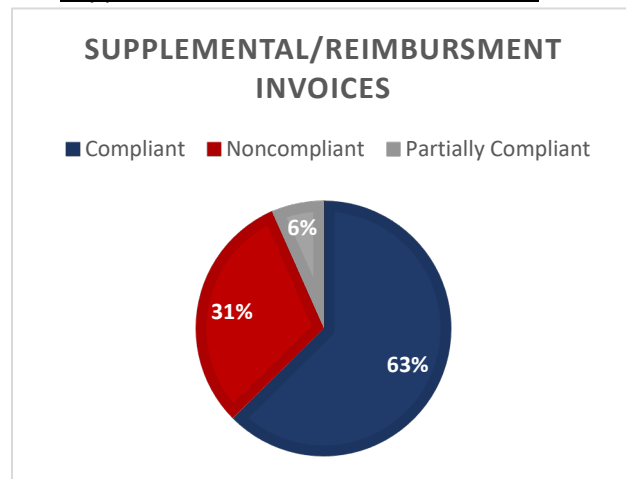
- **Noncompliance Explained:**

- 4 of 73 noncompliant invoices contained incorrect totals. **These invoices totaled \$2,136.06 of overpayments from the County to MV.**
- 15 of 73 noncompliant invoices, supporting documentation was missing in OnBase for fixed route and/or paratransit services needed to verify the VRH being claimed by MV.
- 16 of 73 noncompliant invoices, VRH exceeded the maximum monthly allowed by the Contract and amendments. Fixed routes exceeded the monthly maximum VRH on 14 invoices and paratransit services exceeded the maximum monthly VRH on 3 invoices. The Contract and applicable amendments did not state what the maximum monthly hours

were, the documents only stated what the maximum annual hours were. For testing purposes, we used the maximum annual hours (30,000 and 50,000 respectfully) and divided them by 12 to reach an estimated monthly maximum VRH of 2500 for fixed route and 4166.7 for paratransit hours

- 34 of 73 noncompliant invoices, cost allocation totals did not equal the amount owed on the invoices, due to mathematical errors.
- 60 of 73 noncompliant invoices, VRH on the supporting documentation does not equal the VRH amount that was billed for.
- 65 of 73 noncompliant invoices, deadhead was added to paratransit service revenue service hours from November 2019 through April 2025. Deadhead is the operation of transit vehicles when the doors are closed to the public and there is no expectation of carrying passengers. The FTA indicates deadhead as a non-revenue service and excludes these hours from revenue service calculations. **Beginning in November 2019 through the end of testing in April 2025, the inclusion of deadhead hours for paratransit service resulted in overpayments from the County to MV that have exceeded \$850,000.00.**

b. Supplemental/Reimbursement invoices:



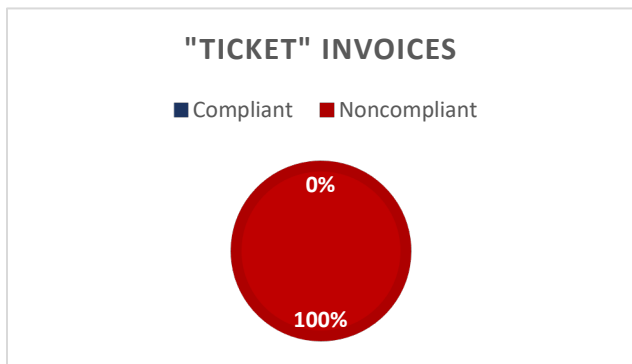
- **Compliance:** 10 of 15 invoices (67%), payment documentation and calculations were correct according to the applicable amendment for each supplemental payment period.

- **Partial Compliance:** 1 of 15 invoices (7%), the PPE reimbursement invoice per Amendment One did not contain documentation to show that the items, in the reimbursement request, were not covered by MV's insurance provider.

- **Noncompliance:** 5 of 15 invoices (33%), supplemental payments were not calculated correctly per the applicable section of Amendment One. These invoices covered supplemental

payments to MV from March 2020 through September 2020 and November 2020 through January 2021, this caused the County to overpay MV by \$22,693.06. This discrepancy was caught and subsequently corrected in March of 2021.

c. "Ticket" invoices:



- **Noncompliance:** 3 of 3 invoices (100%), the number of paratransit tickets being redeemed was not listed in the invoice. Additionally, none of the invoices contained the paratransit tickets that were stamped with "cancelled".

3. Liquidated Damages

The objective of this procedure was to validate the assessment of all LD in accordance with Section 40 of the Contract and all applicable amendments from January 1, 2019, through April 30, 2025.

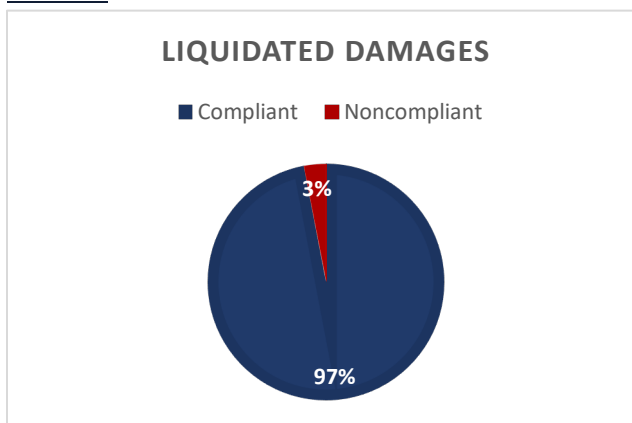
Testing focused on all monthly invoices Transit received from MV and were stored in OnBase. The population consisted of 75 invoices. During the testing period, 24 months were exempt from LD assessments: January through May 2019 (per Contract), March 2020 through February 2021 (per Amendment One), and March through September 2021 (per Amendment Two).

Per the Contract there were originally 12 LDs that could be assessed beginning June 1, 2019. Beginning on February 1, 2022, per Amendment Three, three additional LDs could be assessed. During the period selected for review there were 51 months when LDs were eligible to be assessed. Of the 51 LD eligible months, for 13 months 12 LDs could be assessed and during the remaining 38 months 15 LDs could be assessed.

For each of the invoices in the population, we reviewed:

1. Whether LDs were assessed during the period
2. Which LDs were assessed
3. When the invoice was received from MV

Results:



- **Compliance:** 73 of 75 months (97%) complied with the Contract and all amendments' LD eligibility requirements (LD applied when required and omitted when exempt). The review excluded accuracy of all LD amounts.
- **Noncompliance:** 2 of 75 months (3%) were out of compliance with the Contract and Amendment Three's eligibility requirements (LD were omitted when required to be applied or applied when exempt). The review excluded accuracy of all LD amounts.

- Noncompliance Explained:
 - 1 of 51 LD eligible months (2%) LDs were not assessed during this period, however the performance metrics used to determine LDs showed that MV should have been charged LDs.
 - 1 of 24 exempt months (4%), assessed LDs on MV during a month where MV was exempt to LD assessments.
- Other Issues:
 - 2 of 12 LDs per Contract (17%) were never assessed, despite MV meeting the criteria for the LDs to be assessed. These LDs were never listed as being reviewed on the LD sheet. The two LDs that were never assessed were *“Failure to submit reports, invoices, performance analysis, budget, or other documents by the required deadline”* and *“Failure to submit a County and Florida Department of Transportation (FDOT) accepted Drug & Alcohol MIS Report by the deadline.”* It was found that MV submitted invoices late and an FDOT audit in 2024 indicated that MV was found not in compliance with FDOT Alcohol and Drug testing requirements. 3 of the 3 LDs per Amendment Three (100%) were never assessed on MV. There was no documentation to show that these LDs were ever reviewed.
 - 3 of 3 LDs per Amendment Three (100%) were never assessed on MV. There was no documentation to show that these LDs were ever reviewed.

4. Insurance Requirements

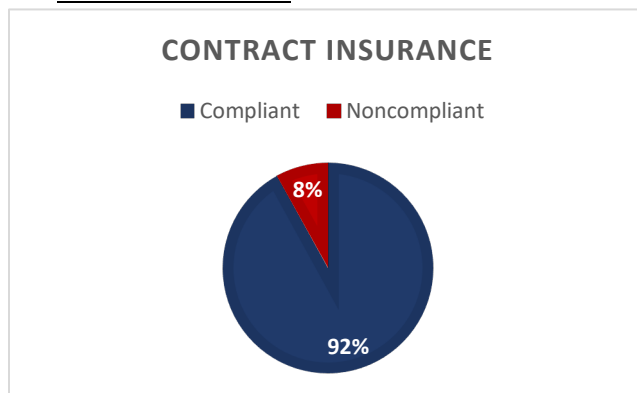
The objective of this procedure was to determine compliance with the Contract and Lease insurance requirements from January 1, 2019, through June 30, 2025.

Testing focused on a review of the certificates of insurance (COIs) found in OnBase. These COIs were provided to the County to show insurance coverage and policy periods for the Contract and the Lease over the 78-month testing period. For the COIs in OnBase we reviewed:

- What months were covered during that period
- What insurance coverages and limits were shown
- When the document was provided to the County

Results:

a. Contract Insurance:



- **Compliance:** 72 of 78 months (92%), COIs were found in OnBase that showed proof of all coverage and limits required by the Contract.
- **Noncompliance:** 6 of 78 months (8%), COIs were not provided to the County that showed proof of insurance required by the Contract.

- **Noncompliance Explained:**

- During testing, there was a six-month gap in MV's insurance coverage. During that period the County never received updated COI to show Contract compliant coverage. *After testing concluded, MV provided COIs to the County that showed insurance coverage was held for the missing 6-month period.
- Section 11 "Contractors Insurance" Item 1 of the Contract states that MV was not allowed to commence any work in connection to the Contract until proof of adequate insurance had been provided and approved by the County. MV began work on January 1, 2019, however the initial insurance was not provided and approved until January 8, 2019.
 - MV provided a COI when they submitted their proposal in October of 2018. However, this COI did not include coverage for Okaloosa County at that time.
- Section 11 "Certificates of Insurance" Item 1 states that MV was required to provide proof of adequate insurance not less than 10 days prior to commencement of any work in connection to the Contract. MV began work on January 1, 2019, however the initial insurance was not provided until January 8, 2019.
- Section 11 "Contractors Insurance" Item 4 states that MV was required to provide an updated COI no later than 10 days prior to the expiration date of the current COI on file with County. Since the initiation of the Contract, the County has not received MV's COIs in the time required by the Contract, with the COIs being filed between 9 and 470 days late.

b. **Lease Insurance:**



- **Noncompliance:** 78 of 78 months (100%) COIs provided to the County were not in compliance with the Lease requirements.

- **Noncompliance Explained:**

- The COIs provided to the County did not have the coverage type "Fire and Other Casualty Insurance" as required by the Lease. *After testing concluded, MV provided COIs that showed the coverage of "Fire and Other Casualty Insurance" was held from February 1, 2023, through May 1, 2026. MV was unable to provide any proof of "Fire and Other Casualty Insurance" coverage was held from January 1, 2019, through January 31, 2023.

5. Vehicle Maintenance Review

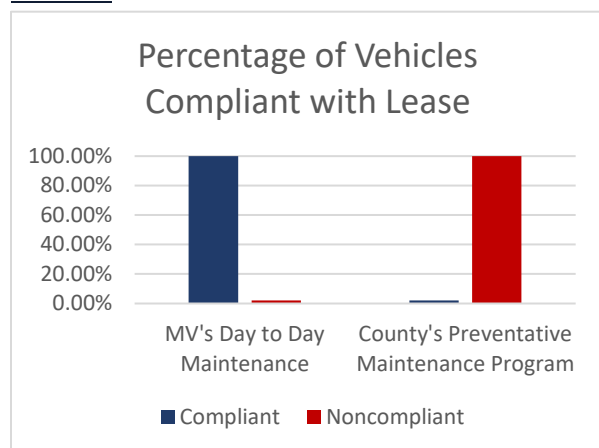
The objective of this procedure was to determine whether the Lease requirements regarding vehicles were being met as of June 17, 2025.

Testing focused on a sample of the vehicle inventory as of June 17, 2025. From a population of 54 vehicles, we used statistical sampling with a 95% confidence level and a 15% margin of error to determine our testing sample to be 25. The population was broken into subgroups based on the year, make, and model of each vehicle. From the subgroups we randomly selected the 25 vehicles based on each subgroup's percentage of total population size. This method ensured that the testing sample included at least one of every year, make, and model in the population.

For each of the vehicles in the testing sample we:

1. Compared the Transit Department's Preventative Maintenance Program (PMP) to each specific vehicles manufacturer's recommended maintenance.
 - a. We retrieved the recommended maintenance schedules from each of the owners' manuals. These manuals were obtained from the manufacturer's website. To ensure the correct manual was obtained, we first used the Federal Department of Transportation's (DOT) website. Each VIN was input into the DOT website to obtain the correct year, make, and model of each sample vehicle.
2. We attempted to complete a walkthrough of each of the vehicles in the testing sample. The walkthrough was to ensure the "day-to-day maintenance of the vehicles was completed per the Contract. (We were only able to inspect 13 vehicles due to a portion of the sample vehicle being out on routes at the time of inspection.)

Results:



- **Compliance:** 100% of the 13 vehicles inspected appeared to have been cleaned and the day-to-day maintenance had been performed by MV.
- **Noncompliance:** 100% of the 25 vehicles tested were out of compliance with the Lease requirements. When comparing the County's PMP to each vehicle's manufacturer's recommended maintenance schedules, none of the vehicles fully met the recommendations set by the manufacturer as required by the Lease.

6. Amendment Three Compliance

The objective of this procedure was to verify MV's compliance with the requirements listed in Section 1.a-d of Amendment Three.

Testing focused on a review of documentation provided by MV and Transit to show MV's compliance with Amendment Three. We compared the documentation we were provided with to the requirements in Amendment Three. The requirements were:

1. Provide proof that all MV Employees receive the wage increases shown on the Attachment in 2022 and subsequently for future wage adjustments in January 2023, and 2024 and 2025, as applicable.
2. Provide proof that recruiting materials/information for new hires meets the minimum wage levels in the agreement per position and subsequent increases.
3. Demonstrate that the Contractor is undertaking a robust employee recruiting effort until driver vacancy levels are below 5%.
4. Report ongoing vacancy levels for the following six months (March-August 2022) and at any other time beyond six months where vacancy levels exceed 10% for drivers or if the Contractor otherwise determines vacancy level are materially affecting operational service to the residents of Okaloosa County.

Results:

- **Noncompliance:** MV did not provide proof, demonstration, or ongoing reports that were all required by Amendment Three.
 - Documentation to provide proof of compliance with Item 1: Only contained 20 employees for a pay period of March 18, 2022 – April 1, 2022. MV had more than 20 employees during that period. This amendment was retroactive to February 1, 2022. There was no documentation or proof provided that the pay was retroactive for the employees or that any subsequent year wage increases were provided.
 - Documentation to provide proof of compliance with Item 2: There was a single screen capture of an indeed job posting, however it did not have a date on it, and this only showed recruiting material for one position (driver) at an unknown date and time. We were not provided with any materials to show the wage increases of any other position, nor were we provided any materials to show each subsequent year's increases.
 - Documentation to provide proof of compliance with Item 3: A PowerPoint presentation was provided from October of 2023. That PowerPoint only stated the amount of funds being spent on "recruiting ads" in 2022 and 2023. We were not provided documentation or proof to show that recruiting efforts had increased or became "robust", nor were we provided with documentation to show a correlation between the recruiting efforts and the vacancy levels.
 - Documentation to provide proof of compliance with Item 4: In November of 2023, 19 months after the requirement, the County was provided with a document containing the driver vacancy levels from January 1, 2022, through October 31, 2023.

7. Personnel and Training Records

The objective of this procedure was to verify MV's compliance with the Contract regarding E-Verify, employee training/retraining, and certifications.

Testing focused on all Medicaid broker drivers and a sample of MV's current employees as of June 17, 2025. From a population of 61 employees, we used statistical sampling with a 95% confidence level and a 15% margin of error to determine our testing sample to be 26. We randomly selected the 26 employees from the total population. The randomly selected testing sample included employees from various positions within MV: 22 - drivers, one - dispatcher, one - reservationist, one - utilities, and one - manager.

For all employees in the random sample, we reviewed:

1. For the completion of E-Verify within three days from the date of hire or 90 days after enrollment/contract initiation, whichever came first.
2. For the completion of hazardous material incident training.
3. For the completion of Federal Transit Administration (FTA) compliant drug and alcohol training.

For all drivers in the random sample, we reviewed:

1. For the completion of all operator training requirements (Classroom, Pre-driving skills, Observation, Behind-the-Wheel, and Cadetting).
2. For the completion of both post training checks (45 days and 75 days)
3. For completion of annual wheelchair certification.
4. For completion of return-to-work training (when a driver was inactive for 30 or more days) as applicable.
5. For post-accident or for-cause training following a preventable accident or incident as applicable.

For all Medicaid broker drivers, we reviewed:

1. For a current and unexpired First Aid certification.
2. For a current and unexpired Cardiopulmonary resuscitation (CPR) certification.

Results:

a. All employees in the random sample



- **Compliance:** 13 of 26 employees' personnel records (50%) contained documented completion of the hazardous material training, drug and alcohol training, and the E-Verify verification was completed within the required timeframe.

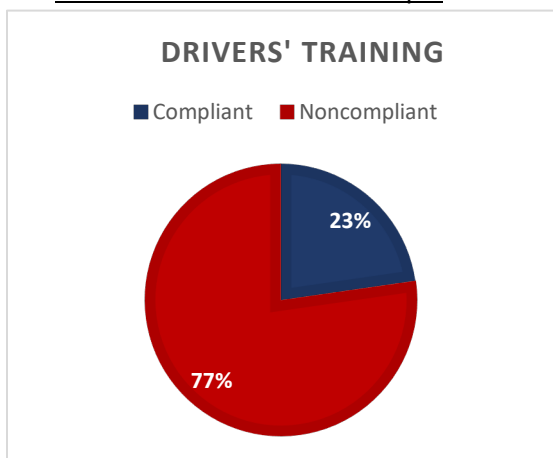
- **Noncompliance:** 13 of 26 employees' personnel records (50%) were missing documented completion of the hazardous material training, drug and alcohol training, and/or the E-Verify verification was not completed within the required timeframe.

- **Noncompliance Explained:**

- 5 of 13 noncompliant personnel records had E-Verify's completed late. The E-Verify verification was completed for these employees; however, they were not completed within the time requirements of the contract.

- 2 of 13 noncompliant personnel records did not have E-Verify completed at the time of testing. The employees were hired at separate periods, one hired on April 23, 2024, and the other on March 18, 2025. After testing was completed, we were provided with documentation showing E-Verify, for both employees, was completed on June 18, 2025, the day after testing.
- 5 of 13 noncompliant personnel records did not have documentation showing that the hazardous materials incident training was completed.
- 6 of 13 noncompliant personnel records did not have documentation showing that the FTA compliant drug and alcohol training was completed.

b. All drivers in the random sample

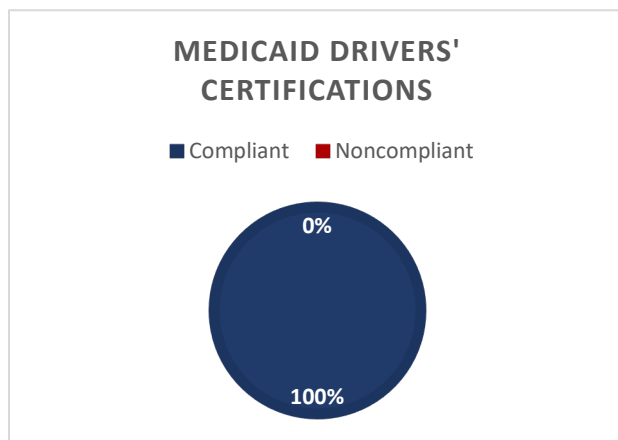


- **Compliance:** 5 of 22 drivers (23%) completed all required training as applicable: operator training, post-training checks, annual wheelchair certification, return-to-work training, and post-accident/for-cause training. Two of these drivers were hired 8 days prior to testing and were not completed with onboarding during testing. Only one of these drivers had a preventable accident. None of these drivers were listed as inactive for 30 or more days that would require the need for return-to-work training.
- **Noncompliance:** 17 of 22 drivers (77%) did not have documented completion of all operator training hours, both post-training checks, the annual wheelchair certification, return-to-work training, and/or the post-accident/for-cause training.

- **Noncompliance Explained:**

- 16 of 17 noncompliant drivers appear to not have received all required operator training. Eight drivers did not have the operator training booklets in their personnel records. Six drivers were missing required observation hours. Two drivers were missing all required hours of pre-driving skills, observation, and cadetting training.
- 9 of 17 noncompliant drivers did not receive one or both post training checks. Six of these drivers did not receive any post training checks. The other three drivers only received one post training check.
- 5 of 17 noncompliant drivers did not have documentation showing that the annual wheelchair certification was completed.
- In the testing sample there were six drivers that had a preventable accident or incident. 3 of 6 drivers (50%) did not receive the required post-accident/for-cause training.
- In the testing sample there was only one driver that was listed as inactive for 30 or more days. When the driver returned to work, there was no return-to-work training completed.

c. All Medicaid broker drivers



- **Compliance:** 9 of 9 Medicaid broker drivers (100%) held current and un-expired First Aid and CPR certifications from the American Red Cross.

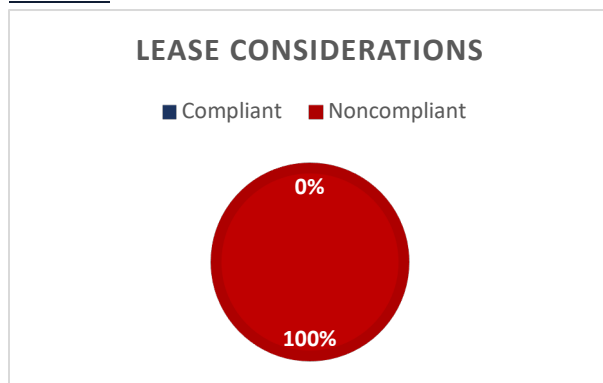
8. Lease Consideration

The objective of this procedure was to determine MV's compliance with Article Three of the Lease, "Consideration."

Article Three of the Lease states that "in consideration for leasing the vehicle(s), the Lessee" (MV Transportation) "agrees to pay the Lessor" (the County) "one-dollar (\$1.00) per each vehicle per year for the term of the lease."

Testing focused on a review of receipts in OnBase, as well as interviews with personnel involved in the process. The review covered from January 1, 2019, through June 30, 2025. There were seven lease periods in the review, resulting in seven lease payments.

Results:



- **Noncompliance:** 7 of 7 (100%) Lease payments were never received from MV for the Lease considerations.

9. Contract Responsibilities

The objective of this testing was to determine whether both parties to the contract, the County and MV, were adequately fulfilling their respective responsibilities in accordance with the contractual requirements as of June 17, 2025.

Testing focused on a total of 61 responsibilities outlined in the Contract. The Contract Exhibit A Section 1.7 lists the 28 responsibilities of the County/Transit. The Contract Exhibit A Section 1.8 lists the 38

responsibilities of MV. Compliance with these Sections was assessed through interviews with Transit and MV personnel regarding the fulfillment of their contractual responsibilities.

Results:



- **Compliance:** 57 of 61 responsibilities (93%) were being completed by the appropriate party specified by the Contract.
- **Noncompliance:** 4 of 61 responsibilities (7%) were not being completed by the appropriate party specified by the Contract.

- **Noncompliance Explained:**
 - 1 of 23 County/Transit responsibilities (4%) were not being conducted during testing. The Contract states that the County/Transit is responsible for conducting “marketing and public outreach” of public transportation services. Marketing that is currently being conducted is the transit website, bus stop benches, and bus stop signs.
 - 3 of 38 MV responsibilities (8%) were being completed by Transit.
 - The Contract states that MV is responsible for “Intake and handling of fees and other revenue.” Through the interviews it was determined that MV only intakes and handles fares on the buses during the routes. The County intakes and handles fares and other revenue received at the at the Transit building.
 - The Contract states that MV is responsible for cleaning services for building used solely for transportation functions and that are occupied by MV employees. MV employees are located at the Transit building that is used solely for transportation function. The County is currently paying for cleaning services for the building.
 - The Contract states that MV is responsible for “system and site security.” The County is currently providing all system and site securities for public transportation operations.

10. Public Transportation Citizen Surveys

The objective of this test was to understand the current public knowledge and perception of Okaloosa County Public Transportation to validate that Okaloosa County is upholding its contractual obligation to market Public Transportation services.

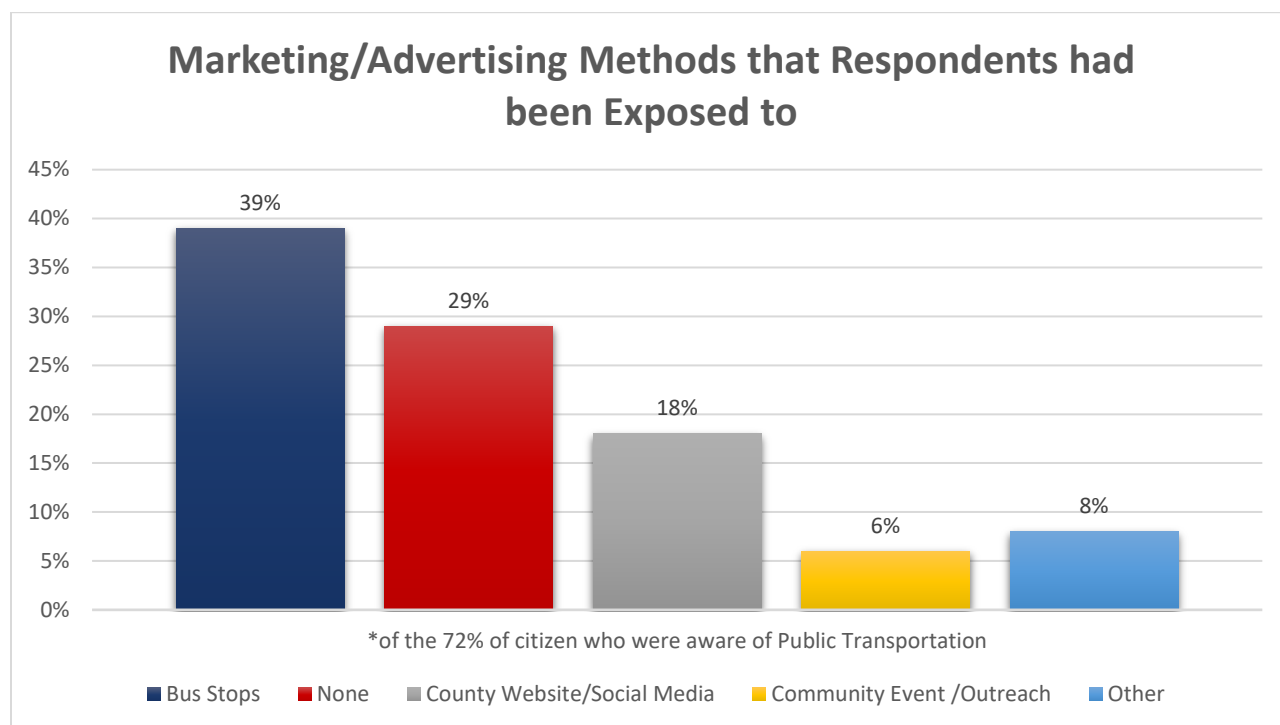
Testing consisted of providing an anonymous survey to Okaloosa County citizens from June 9, 2025, through June 23, 2025. Physical copies of the survey were issued at the Okaloosa County Courthouse and Okaloosa County Courthouse Annex Extension. The survey was available to complete online via the

Okaloosa County Clerk's Online Survey management and analysis tool, Survey Monkey. The link to online survey was published on the Okaloosa County Clerk's and Okaloosa County Board of County Commissioners' Facebook (a social media and networking platform) pages.

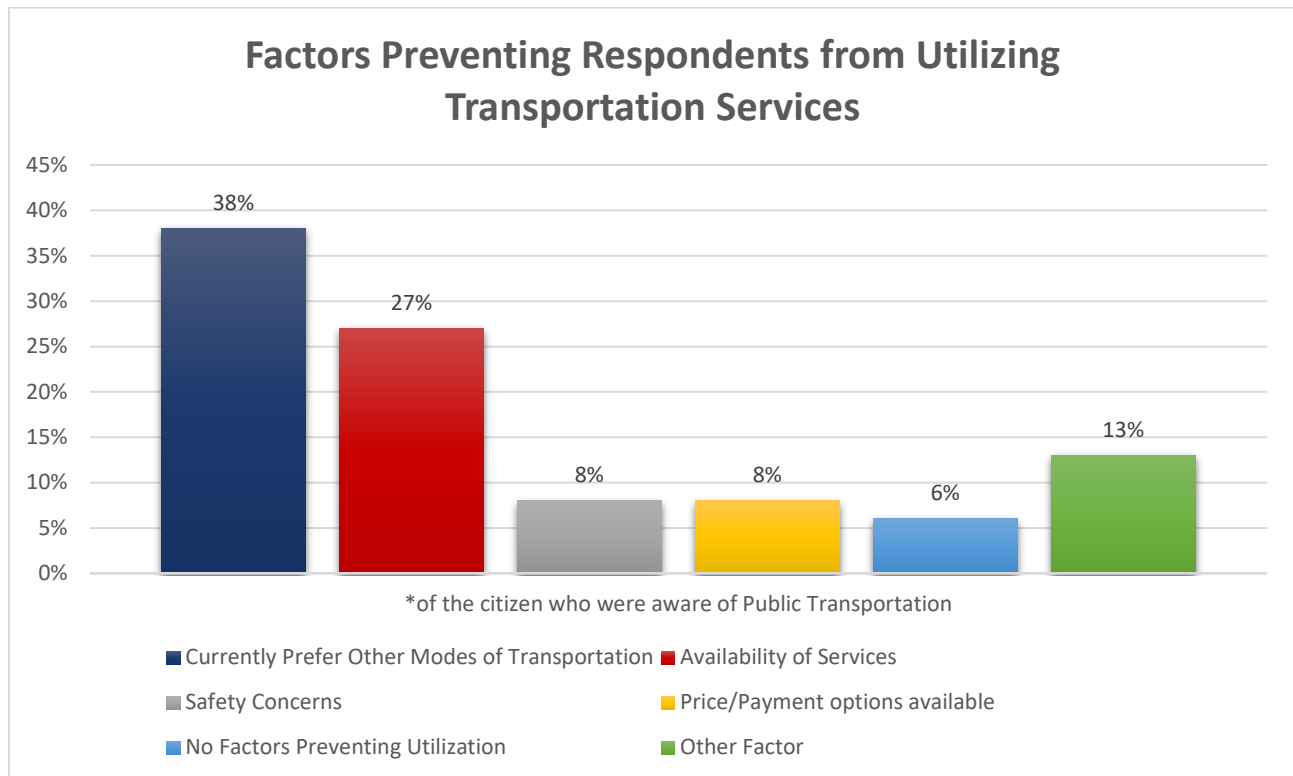
Results

Based on a statistical analysis of the responses received, we are 90% confident that the survey results fall within +/- 10.6% of the entire population of Okaloosa County.

- The survey results show that 72% of the respondents were aware of Public Transportation.
- Of the 72% that were aware of Public Transportation only:
 - 21% were aware of all the services the County provided
 - 14% were aware of the costs of services
 - 19% felt the County's current marketing and public outreach was effective.
- The following results are the marketing and public outreach the 72% of respondents stated they had been exposed to:



- The following results are factors preventing respondents from utilizing services:



11. Removal or Reassignment of MV Management Personnel

The objective of this testing was to verify that the contractual requirements regarding the removal or reassignment of management personnel were followed as of July 10, 2025.

Testing focused on Section 9 paragraph 6 and Exhibit "C" of the Contract found in OnBase.

Section 9 paragraph 6 states *"Further, Exhibit "C" sets forth a list of management personnel from CONTRACTOR'S Organization who shall be assigned to the work under this Contract."* This paragraph goes on to states *"Management Personnel shall not be removed or reassigned without County's prior written approval. Particularly, prior to Contractor removing or reassigning management personnel assigned to the work under this Contract, Contractor must request approval from the County in writing and Contractor must make a payment of an approval fee of five thousand United States Dollars (\$5,000 USD) per employee requested to be removed or reassigned. Approval from the County must be in writing."*

- A review of the Exhibits in the Contract in OnBase showed that there was an "Exhibit C". However, "Exhibit C" did not set forth a list of management personnel, instead, it contained the "Annual Cost Breakdown Table" for the Contracts pay rates. The Contract does not contain a list of management personnel that were held to the requirements listed in Section 9 paragraph 6.
- A review of the Exhibits in the Contract in Vendor Registry had two separate "Exhibit C" documents. One document contained the "Annual Cost Breakdown Table" and the other contained the "Local Organizational Structure" for MV.

From January 1, 2019, through April 30, 2025, MV has had 10 management removal/reassignments:

- Six General Managers removed or reassigned
- Two Operations Managers removed or reassigned.
- Two Safety and Training Managers removed or reassigned.

Results:



- **Noncompliance:** 100% of 10 MV management removals/reassignments did not comply with the contractual requirements.

Noncompliance Explained:

- 10 of 10 Management removals/reassignments:
 - The County did not receive a prior request for removal/reassignment
 - The County did not receive the \$5,000 request for removal/reassignment, **payments totaling \$50,000.00 in unreceived approval fees.**
 - The County did not provide written approval prior to removal.

Conclusion

The audit identified significant instances of noncompliance by both MV and the County. MV did not consistently fulfill its contractual, amendment, and lease obligations. These include but are not limited to requirements for reporting, record retention, training, invoicing, and removal of management personnel. This was enabled by the County not providing adequate oversight to ensure MV's performance and compliance with all agreements' terms and conditions.

This lack of oversight increased the risk that the Contract, Lease, and all amendment requirements were not being fulfilled. Essential documentation is missing to verify compliance and responsibility for outcomes has not been effectively enforced. In addition, the County's inability to effectively enforce MV's compliance and maintain adequate contract/lease oversight may weaken public confidence in the County's ability to safeguard resources, ensure accountability, and deliver services effectively. To maintain public trust and to protect the County's interests, the County should consider focusing on enhancing their internal controls and contract/lease oversight responsibilities.

Recommendations

Audit recommendations are provided to mitigate process risks and improve programs and operations.

During this audit, a new request for proposal (RFP) was advertised for a new transit contract to begin January 1, 2026. Prior to the County issuing the RFP, our office met with a Deputy County Administrator to discuss our current recommendations for the new contract. The County acted on most of our recommendations, including updating the RFP prior to it being advertised. Some of those recommendations, and others that were found afterwards, are listed below:

Recommendation 1:

We recommend that the County consider reviewing and updating the verbiage/requirements of any future Transit contract. There are many instances throughout the contract that are ambiguous, contradictory, or allow for misinterpretation. A few examples are:

- The responsibilities of the Contractor and County. There are currently responsibilities that are listed as contractor responsibilities that the County has taken over or assumed.
- Section 5.E-J. does not state that the County will ensure the accuracy of invoices.
- There were questions about when liquidated damages could begin being assessed by Section 40.
- The contract does not directly define (only passively defines) revenue hours, which are used in the payment calculation.

Recommendation 2:

We recommend the County consider incorporating advertising requirements for transit services. The contract only states that the County is responsible for marketing and public outreach and does not provide a standard or requirement that must be met. During our audit, there was no active marketing or public outreach being conducted for transit services. Our survey indicated that this could be a factor in potentially low ridership (use of transit services).

Recommendation 3:

We recommend that the County consider incorporating the lease and contract into a single agreement, rather than having two separate agreements. This would enable more efficient contract/lease administration and provide improved clarity of all requirements. Most notably this may prevent the lease being closed out and not renewed while the contract is still active.

Recommendation 4:

We recommend that the County consider enabling card and digital payment options on the buses and the physical location for transit services. Although the transit vehicles are equipped to accept card payments, that function is not being used. Operating as a cash-only business raises concerns beyond customer inconvenience. It opens the department to risks of fraud and issues of efficiency and accessibility. Currently, riders can only purchase day passes on the buses with exact cash. To purchase any other type of pass, individuals must travel to the sole physical location, which may not be convenient, and payment still must be made in cash. Our survey indicated that this could be a factor that lowers ridership.

Recommendation 5:

We recommend that the County consider reworking the vehicle maintenance requirements, possibly by creating a Preventive Maintenance Program (PMP) for each separate vehicle make and model. The Transit

fleet is made up of various makes and models, including both diesel and gas engines. Currently, the PMP is a single document that was created to encompass all transit vehicles maintenance, requiring all vehicles to receive the same preventative maintenance at the same intervals. As different makes and models require services at different intervals, this has caused some preventative maintenance to be conducted more frequently than needed and some maintenance to be completely neglected.

Audit Findings

Audit findings are a summary of operational weaknesses, deficiencies, adverse conditions or the need for process changes.

Finding 1: Unauthorized Contract Alteration

Criteria:

From contract C19-2761-TS:

- Section 19 states that *“The terms and conditions of this Agreement can only be amended in writing upon mutual agreement of the parties and signed by both parties.”*
- Section 24 states that *“If the COUNTY and CONTRACTOR elect to make the change,”* (to the contract) *“the COUNTY shall initiate a Contract Amendment, and the CONTRACTOR shall not commence work on any such change until such written amendment is signed by the CONTRACTOR and approved and executed on behalf of Okaloosa County.”*

From the Okaloosa County Purchasing Manual:

- Section 33 paragraph 3 states *“contract amendments must be executed by the authorized individual pursuant to the Table 1 who approved and executed the original contract, unless the change order or contract amendment increases the total dollar amount to such a level that in accordance with Table 1, it shifts to another authorized individual/entity (the approval authority).”*
 - Table 1 shows that the amendments to contract C19-2761-TS must be signed by all the following:
 - The Transit Director or designee; and
 - The Okaloosa County Purchasing Manager; and
 - The Okaloosa County Office of Management and Budget Director; and
 - The Okaloosa County Administrator; and
 - The Okaloosa County Board of County Commissioners.
 - Section 36.02 item number 1 states it is the Issuing Department’s (Transit) Responsibility to *“Ensure agreements, amendments and change orders are properly authorized by the Board of County Commissioners, County Administrator, or OMB Director using the appropriate authorizing thresholds and forms provided herein.”*
 - Section 36.02 item number 11 states it is the Issuing Department’s (Transit) Responsibility to *“Monitor contractor completion of work in accordance with the agreement for the price found in the bid prior to certifying invoices for payment.”*
 - Section 36.02 item number 12 states it is the Issuing Department’s (Transit) Responsibility to *“Review contractor change orders, if allowable, forward to Department Director for approval and submission to the Board, County Administrator or OMB Director or their designee for approval pursuant to the approval authority contained in this Manual.”*

Condition: The Transit Director and MV's General Manager verbally agreed to alter the Contract terms without formal authorization. Beginning on November 1, 2019, this verbal agreement altered the terms and conditions of contract C19-2761-TS Section 5.B.1. The alteration enabled MV to charge "Deadhead" hours as revenue service hours for paratransit services. This verbal agreement did not get proper approval or follow the procedures required by the Contract or the Purchasing Manual.

Cause: The unauthorized contract alteration occurred due to a failure of the Transit Department in adhering to the established County policies in the Purchasing Manual and the terms and conditions of the contract. Additionally, this alteration was not detected earlier due to inadequate internal controls over the invoicing review and payment process.

Effect: The unauthorized contract alteration resulted in the County potentially overpaying MV more than **\$850,000.00**.

Recommendation: We recommend that the County strengthen its internal controls over the invoicing and payment process to ensure the payrate agreed upon in the Contract is being followed; and that management set clear accountability measures for unauthorized contract modifications.

Finding 2: Vendor Noncompliance and Lack of Contract/Lease Oversight

Criteria: The contract C19-2761-TS and subsequent amendments and lease L19-0472-TS require MV to comply with all terms and conditions that were set forth in each agreement, including but not limited to:

- Submission of required reports and documentation to the County.
- Retaining records for at least 3 years after completion or termination of the agreement.
- Payment of Lease considerations
- Completion of specific staff training requirements.
- The pay rate being per revenue hour.
- Procedures for removal/reassignment of MV management personnel.

Condition: MV was found to be noncompliant with several provisions outlined in the contract, lease, and subsequent amendments. Specifically:

- MV did not provide the proof, demonstration, or ongoing reports required by contract C19-2761-TS Amendment Three Section 1. a-d.
- MV began work on the Contract without the County being provided and approving adequate insurance as required by contract C19-2761-TS Section 11.
- MV did not provide initial or updated proof of insurance in the time requirements by contract C19-2761-TS Section 11 or lease L19-0472-TS Article Five.
- MV did not properly retain the records required by contract C19-2761-TS Section 10, 15, and Exhibit A's Exhibit A #16, and lease L19-0472-TS Article Eight.
- MV did not provide lease considerations to the County as required by lease L19-0472-TS Article Three.
- MV did not provide all training that was required by contract C19-2761-TS Section 9 and lease L19-0472-TS Article Four.
- MV included deadhead hours for paratransit services on invoices that were not allowed by contract C19-2761-TS Section 5.B.1.

- MV did not follow the required procedures or provide the required payments when MV chose to remove/reassign management personnel working on the Contract as required by C19-2761-TS Section 9 paragraph 6.

Cause:

- **County:** MV was found to be noncompliant with contract terms because the County did not employ sufficient contract oversight procedures. Oversight activities such as monitoring and validating required deliverables and reviewing invoices against supporting documentation were either not performed consistently or were performed at a surface level without sufficient follow-up. In addition, Transit staff lacks training and knowledge of the Contract, Lease, and all amendments that are needed to ensure contract compliance.
- **Vendor:** While the precise cause for MV could not be determined, the issues appear related to MV having inadequate contract management practices and lack of internal procedures to monitor the Contract, Lease, and all amendment requirements.

Effect: As a result, MV was not in compliance with all terms and conditions of contract C19-2761-TS and subsequent amendments and lease L19-0472-TS. These deficiencies limited the County's ability to monitor MV's performance, created gaps in accountability, and increased the risk that services were not provided in accordance with each agreement's terms.

Recommendation: We recommend that the County strengthen contract/lease oversight to ensure compliance with all agreement obligations. This could include having clearly assigned oversight responsibilities, providing training to staff on contract monitoring requirements, implementing procedures to review contractor performance, deliverables, and invoices, etc.

Finding 3: County Noncompliance

Criteria: The contract C19-2761-TS and subsequent amendments and lease L19-0472-TS require the County to comply with all terms and conditions that were set forth in each agreement, including but not limited to:

- The assessment of liquidated damages.
- The procedures that are to be used to make amendments to the agreements.
- The preventive maintenance requirements for vehicles.
- The renewals of the agreements.

Condition: The County was found to be noncompliant with several provisions outlined in the Contract Lease, and amendments. Specifically:

- Certain Liquidated Damages that should have been assessed per the Contract C19-2761-TS Section 40, were not assessed. Transit staff indicated that assessing liquidated damages was not pursued due to perceived business practice concerns.
- The Transit Department allowed MV to remove/reassign management personnel in a process that was outside of the procedures required by the contract C19-2761-TS Section 9 paragraph 6.
- The Transit Department's Preventive Maintenance Program did not meet the minimum requirements in the lease L19-0472-TS Article Four.
- The County failed to renew the Lease as required by Article Two of lease L19-0472-TS.

Cause: The County's internal oversight processes are insufficient and did not ensure that all staff working on these agreements understood and carried out the County's contractual obligations. The responsibilities

for monitoring the County's compliance were not clearly assigned, staff did not receive adequate training on each agreement's requirements, and management did not have procedures to verify compliance.

Effect: As a result, the County was not in compliance with the Contract and the Lease. This has led to a loss to the County of potentially more than **\$100,000** in liquidated damages and removal/reassignment fees. Additionally, with the lease not having been renewed, the County could potentially be out of compliance with federal or state grant requirements.

Recommendation: We recommend that the County strengthen its ability to comply with agreement terms. This could be achieved by having clearly assigned responsibilities for monitoring County agreement requirements, providing training to staff on contract and agreement terms and conditions, implementing procedures to verify and document all compliance activities, and conducting periodic reviews of County compliance with agreement requirements.



Board of County Commissioners

MEMORANDUM

TO: Renee Larkey, CIGI, CIGA, CFE, CECFE, CFCI; IG Investigator/Auditor

FROM: Sheila Fitzgerald, Deputy County Administrator

DATE: October 17, 2025

SUBJECT: Management Response for Department of Inspector General Examination of Transit Contract & Vehicle Lease

The Transit Division, in conjunction with Deputy County Administrator Fitzgerald, has developed management responses below that address the recommendations and findings noted in the report.

Recommendations Section (Page 19 of Report)

General Statement: As noted in the report, prior to the release of the final report, the Clerk's office met with DCA Fitzgerald to discuss recommendations that had resulted from their examination activities that could be incorporated within the forthcoming Request for Proposals document, subsequent contract, and vehicle lease agreement to mitigate process risks and improve operational efficiency and effectiveness of transit operations. **RFP TS 39-25 was advertised on August 20, 2025 with subsequent addendums issued to address a majority of the recommendations described in this section.** Following each of these Recommendations is a management response describe any action that was taken to incorporate these recommendations, or an explanation describing instances of limited or no action.

Recommendation 1:

We recommend that the County consider reviewing and updating the verbiage/requirements of any future Transit contract. There are many instances throughout the contract that are vague, contradictory, or allow for misinterpretation. A few examples are:

- The responsibilities of the Contractor and County. There are currently responsibilities that are listed as contractor responsibilities that the County has taken over or assumed. **Section 2 (Roles and Responsibilities) of the RFP was carefully reviewed and updated to reflect the responsibilities that the County has taken over or assumed.**
- Section 5.E-J. does not state that the County will ensure the accuracy of invoices. **This recommendation was not included in the list of recommendations provided by the auditor during the July 3, 2025 meeting but was included in the initial draft report received Sept 8, 2025. Within Section 2 (Roles and Responsibilities), it states that "The COUNTY is responsible for the finance, accounting, and budgeting of public transportation operations". Further, the County will ensure the accuracy of invoices in compliance with Florida State Statutes, Okaloosa County Board of County**

Commissioners and Clerk of Courts policies regarding the payment of invoices, as well as all federal and state grants funding transit operations.

- There were questions about when liquidated damages could begin being assessed by Section 40. Section 1.8 (Penalties) of the RFP has been revised to remove any vague statement with regard to when liquidated damages could begin being assessed. The RFP states: "The COUNTY will not begin assessing penalties until 30 days (grace period) following the effective date of the contract. All penalties are applied to the next regular payment after the notice of the penalty has occurred."
- The contract does not directly define (only passively defines) revenue hours, which are used in the payment calculation. Section 3 (Budget) of the RFP has been updated to define revenue hours. The RFP states: "Vehicle revenue hours are defined by the National Transit Database as *"the hours that vehicles are scheduled or actually travel while in revenue service. Vehicle revenue hours include layover/recovery time. Vehicle revenue hours do not include deadhead, operator training, vehicle maintenance testing, or other non-revenue uses of the vehicle."* Revenue service should include all hours when the vehicle is available to the public."

Recommendation 2:

We recommend the County consider incorporating advertising requirements for transit services. The contract only states that the County is responsible for marketing and public outreach and does not provide a standard or requirement that must be met. During our audit, there was no active marketing or public outreach being conducted for transit services. Our survey indicated that this could be a factor in potentially low ridership (use of transit services). *To keep contractor hourly rates as economical as possible, the county will continue to be responsible for advertising, marketing and public outreach.* Section 2.14 (Advertising) of the RFP states: "The CONTRACTOR/OPERATOR may assist in distribution of promotional materials or advertisements and may participate in special promotion programs at the discretion of the COUNTY". DCA Fitzgerald will work with Transit and PIO office to identify opportunities for advertising, marketing and public outreach for transit services to increase ridership.

Recommendation 3:

We recommend that the County consider incorporating the lease within the contract agreement rather than having two separate documents. This would enable more efficient contract/lease administration and provide improved clarity of all requirements. Most notably this may prevent the lease being closed out and not renewed while the contract is still active. *The draft Vehicle Lease Agreement was addressed in Section 8 (Vehicle Lease Agreement) of the RFP and was included as an attachment to the RFP. The lease agreement has been incorporated within the contract agreement.*

Recommendation 4:

We recommend that the County consider enabling card and digital payment options on the buses and the physical location for transit services. Although the transit vehicles are equipped to accept card payments, that function is not being used. Operating as a cash-only business raises concerns beyond customer inconvenience. It opens the department to risks of fraud and issues of efficiency and accessibility. Currently, riders can only purchase day passes on the buses with exact cash. To purchase any other type of pass, individuals must travel to the sole physical location, which may not be convenient, and payment still must be made in cash. Our survey indicated that this could be a factor that lowers ridership. *The Transit and Information Technology Departments have been working to implement card and digital payment options on buses and at the Transit office. It is our expectation that this will be fully implemented by the second quarter of FY 2026.* Section 2 (Roles and Responsibilities) of the RFP states: "The CONTRACTOR/OPERATOR will



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support the COUNTY with implementing digital payments and additional payment methods for passenger fares.”

Recommendation 5:

We recommend that the County consider reworking the vehicle maintenance requirements, possibly by creating a Preventive Maintenance Program (PMP) for each separate vehicle make and model. The Transit fleet is made up of various makes and models, including both diesel and gas engines. Currently, the PMP is a single document that was created to encompass all transit vehicles maintenance, requiring all vehicles to receive the same preventative maintenance at the same intervals. As different makes and models require services at different intervals, this has caused some preventative maintenance to be conducted more frequently than needed and some maintenance to be completely neglected. The transit division acknowledges that vehicles are not currently maintained in compliance with the Original Equipment Manufacturer (OEM) recommendations from the vehicle owner manuals. The transit division’s maintenance program is acceptable to grantors including FTA and FDOT. We are required to meet 80% or higher compliance with FDOT and FTA maintenance standards and we have always exceeded that standard and are fully compliant with grantor requirements. Given the auditor’s concern that vehicles may not be properly maintained, the Transit Manager will consult with FTA and FDOT to determine if grantors recommend different maintenance practices than those currently in place.

Audit Findings Section (Pages 20-23 of Report)

Audit findings are a summary of operational weaknesses, deficiencies, adverse conditions or the need for process changes.

General Statement: The county’s transit system has been steadily evolving with substantial improvements over the last seven years despite the COVID-19 pandemic, economic fluctuations, issues with wages, recruitment and retention of employees, and the complexities related to multiple funding streams. We concur that the county’s oversight of the contract with MV was less than effective. The County is working to set up a training for transit staff related to contract management, insurance compliance and to ensure that transit staff have the proper tools and knowledge to improve in the areas of deficiencies noted within this report.

Some of the instances of non-compliance described in this report directly relate to unclear or incorrect language that was included in the 2018 RFP and subsequent contract being inconsistent with actual practice. This can be partially explained by an expedited procurement process made necessary due to a request from the prior vendor to terminate their contract for which sufficient time and attention may not have been given to the fine print. As noted above, great time and attention was given to the current RFP to ensure that language was reflective of actual practices.

Finding 1: Unauthorized Contract Alteration

Criteria:

From contract C19-2761-TS:

- Section 19 states that *"The terms and conditions of this Agreement can only be amended in writing upon mutual agreement of the parties and signed by both parties."*
- Section 24 states that *"If the COUNTY and CONTRACTOR elect to make the change,"* (to the contract) *"the COUNTY shall initiate a Contract Amendment, and the CONTRACTOR shall not commence work on any such change until such written amendment is signed by the CONTRACTOR and approved and executed on behalf of Okaloosa County."*

From the Okaloosa County Purchasing Manual:

- Section 33 paragraph 3 states *"contract amendments must be executed by the authorized individual pursuant to the Table 1 who approved and executed the original contract, unless the change order or contract amendment increases the total dollar amount to such a level that in accordance with Table 1, it shifts to another authorized individual/entity (the approval authority)."*
 - Table 1 shows that the amendments to contract C19-2761-TS must be signed by all the following:
 - The Transit Director or designee; and
 - The Okaloosa County Purchasing Manager; and
 - The Okaloosa County Office of Management and Budget Director; and
 - The Okaloosa County Administrator; and
 - The Okaloosa County Board of County Commissioners.
 - Section 36.02 item number 1 states it is the Issuing Department's (Transit) Responsibility to *"Ensure agreements, amendments and change orders are properly authorized by the Board of County Commissioners, County Administrator, or OMB Director using the appropriate authorizing thresholds and forms provided herein."*
 - Section 36.02 item number 11 states it is the Issuing Department's (Transit) Responsibility to *"Monitor contractor completion of work in accordance with the agreement for the price found in the bid prior to certifying invoices for payment."*
 - Section 36.02 item number 12 states it is the Issuing Department's (Transit) Responsibility to *"Review contractor change orders, if allowable, forward to Department Director for approval and submission to the Board, County Administrator or OMB Director or their designee for approval pursuant to the approval authority contained in this Manual."*

Condition: The Transit Director and MV's General Manager verbally agreed to alter the Contract terms without formal authorization. Beginning on November 1, 2019, this verbal agreement altered the terms and conditions of contract C19-2761-TS Section 5.B.1. The alteration enabled MV to charge "Deadhead" hours as revenue service hours for paratransit services. This verbal agreement did not get proper approval or follow the procedures required by the Contract or the Purchasing Manual.

Cause: The unauthorized contract alteration occurred due to a failure of the Transit Department in adhering to the established County policies in the Purchasing Manual and the terms and conditions of the contract. Additionally, this alteration was not detected earlier due to inadequate internal controls over the invoicing review and payment process.

Effect: The unauthorized contract alteration resulted in the County potentially overpaying MV more than **\$850,000.00**.



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Recommendation: We recommend that the County strengthen its internal controls over the invoicing and payment process to ensure the payrate agreed upon in the Contract is being followed; and that management set clear accountability measures for unauthorized contract modifications.

Management Response: We concur with the IG's finding that the decision to allow MV to bill for deadhead hours should have been handled via a contract amendment. An explanation for this billing change is as follows.

Over the first twelve months of the contract, MV's budgeted/forecasted revenue hour service projections were not being met through daily and monthly revenue hour allocations; causing a direct impact and hardship that could not have been anticipated when they submitted their proposed rates. This can be attributed to the Geographic Service Area of Okaloosa County, Mileage Distance between Stops, Client No-Shows, Cancellations at Door, and Dead Head Hours. These contributing factors prompted operational discussions between MV's General Manager and the Transit Manager to assist in developing stop gap measures or corrective actions to assist in their revenue per hour loss and to sustain continuity of transit operations within the County. Several options were reviewed, but language and email from the RFP Bid Package outlining No-Shows, Cancellations at Door, and Dead Head Hours were discussed in depth: and direction was provided by the Transit Manager to include Dead head hours as part of the revenue per hour for paratransit operations, in essence going from a first pick up to last drop off calculation to a gate to gate calculation. Operating under the authority as the Transit Division Manager, this decision was done out of the best interest of Okaloosa County and acting as a good contract manager of the Transit Contract with MV Transportation. Alternatives could have included MV's termination of the contract or a request to amend the contract with increased rates. Furthermore, this decision was not made to circumvent or alter the contract amendment process within the County; but to resolve an operational issue and work directly with a County Partner to advance County Services in the best approach possible. As the transit manager believed that this type of decision was within his authority, he did not identify this as a change requiring a contract amendment. The Transit Division Manager understands the critical importance of being a good steward of financial and capital resources of the transit system. Moving forward, any changes of this nature that impact contract payments will be thoroughly discussed with administration, procurement and legal as necessary to determine what, if any, contract amendments are warranted.

Finding 2: Vendor Noncompliance and Lack of Contract/Lease Oversight

Criteria: The contract C19-2761-TS and subsequent amendments and lease L19-0472-TS require MV to comply with all terms and conditions that were set forth in each agreement, including but not limited to:

- Submission of required reports and documentation to the County.
- Retaining records for at least 3 years after completion or termination of the agreement.
- Payment of Lease considerations
- Completion of specific staff training requirements.
- The pay rate being per revenue hour.
- Procedures for removal/reassignment of MV management personnel.

Condition: MV was found to be noncompliant with several provisions outlined in the contract, lease, and subsequent amendments. Specifically:

- MV did not provide the proof, demonstration, or ongoing reports required by contract C19-2761-TS Amendment Three Section 1. a-d.
- MV began work on the Contract without the County being provided and approving adequate insurance as required by contract C19-2761-TS Section 11.
- MV did not provide initial or updated proof of insurance in the time requirements by contract C19-2761-TS Section 11 or lease L19-0472-TS Article Five.
- MV did not properly retain the records required by contract C19-2761-TS Section 10, 15, and Exhibit A's Exhibit A #16, and lease L19-0472-TS Article Eight.
- MV did not provide lease considerations to the County as required by lease L19-0472-TS Article Three.
- MV did not provide all training that was required by contract C19-2761-TS Section 9 and lease L19-0472-TS Article Four.
- MV included deadhead hours for paratransit services on invoices that were not allowed by contract C19-2761-TS Section 5.B.1.
- MV did not follow the required procedures or provide the required payments when MV chose to remove/reassign management personnel working on the Contract as required by C19-2761-TS Section 9 paragraph 6.

Cause:

- County: MV was found to be noncompliant with contract terms because the County did not employ sufficient contract oversight procedures. Oversight activities such as monitoring and validating required deliverables and reviewing invoices against supporting documentation were either not performed consistently or were performed at a surface level without sufficient follow-up. In addition, Transit staff lacks training and knowledge of the Contract, Lease, and all amendments that are needed to ensure contract compliance.
- Vendor: While the precise cause for MV could not be determined, the issues appear related to MV having inadequate contract management practices and lack of internal procedures to monitor the Contract, Lease, and all amendment requirements.

Effect: As a result, MV was not in compliance with all terms and conditions of contract C19-2761-TS and subsequent amendments and lease L19-0472-TS. These deficiencies limited the County's ability to monitor MV's performance, created gaps in accountability, and increased the risk that services were not provided in accordance with each agreement's terms.

Recommendation: We recommend that the County strengthen contract/lease oversight to ensure compliance with all agreement obligations. This could include having clearly assigned oversight responsibilities, providing training to staff on contract monitoring requirements, implementing procedures to review contractor performance, deliverables, and invoices, etc.

Management Response: We concur that Transit staff did not employ sufficient contract oversight procedures. Transit has been coordinating with MV to recoup payment for lease consideration (\$366) and will closely evaluate the listing of management that were removed or reassigned to determine the appropriate amount of reimbursement from MV.



Board of County Commissioners

County Administration is currently working with Procurement, Legal, and Risk Management to identify contract management, records management and insurance training opportunities that will be provided to county staff who are responsible for contract oversight. Prior to the start of the new transit contract, administration will ensure that Transit staff have the appropriate knowledge, tools and resources to effectively monitor and manage the transit contract. Further, a thorough examination of vendor qualifications will occur to ensure that the selected vendor has demonstrated the existence of internal procedures and the ability to provide proper contract oversight particularly related to the areas identified as non-compliant within this report.

The monthly meeting that will be held between the transit provider and the county will include discussions of compliance related to contractor required reporting, documentation, training, and performance.

Finding 3: County Noncompliance

Criteria: The contract C19-2761-TS and subsequent amendments and lease L19-0472-TS require the County to comply with all terms and conditions that were set forth in each agreement, including but not limited to:

- The assessment of liquidated damages.
- The procedures that are to be used to make amendments to the agreements.
- The preventive maintenance requirements for vehicles.
- The renewals of the agreements.

Condition: The County was found to be noncompliant with several provisions outlined in the Contract Lease, and amendments. Specifically:

- Certain Liquidated Damages that should have been assessed per the Contract C19-2761-TS Section 40, were not assessed. Transit staff indicated that assessing liquidated damages was not pursued due to perceived business practice concerns.
- The Transit Department allowed MV to remove/reassign management personnel in a process that was outside of the procedures required by the contract C19-2761-TS Section 9 paragraph 6.
- The Transit Department's Preventive Maintenance Program did not meet the minimum requirements in the lease L19-0472-TS Article Four.
- The County failed to renew the Lease as required by Article Two of lease L19-0472-TS.

Cause: The County's internal oversight processes are insufficient and did not ensure that all staff working on these agreements understood and carried out the County's contractual obligations. The responsibilities for monitoring the County's compliance were not clearly assigned, staff did not receive adequate training on each agreement's requirements, and management did not have procedures to verify compliance.

Effect: As a result, the County was not in compliance with the Contract and the Lease. This has led to a loss to the County of potentially more than **\$100,000** in liquidated damages and removal/reassignment fees. Additionally, with the lease not having been renewed, the County could potentially be out of compliance with federal or state grant requirements.

Recommendation: We recommend that the County strengthen its ability to comply with agreement terms. This could be achieved by having clearly assigned responsibilities for monitoring County agreement requirements, providing training to staff on contract and agreement terms and conditions, implementing procedures to verify and document all compliance activities, and conducting periodic reviews of County compliance with agreement requirements.

Management Response: We concur that Transit staff did not employ sufficient contract and lease oversight procedures. The current RFP has been updated as recommended to remove any vague language related to Liquidated Damages. The reassignment/removal of management penalty was removed from the current RFP.

County Administration is currently working with Procurement, Legal, and Risk Management to identify contract management, records management and insurance training opportunities that will be provided to county staff who are responsible for contract oversight. Prior to the start of the new transit contract, administration will ensure that Transit staff have the appropriate knowledge, tools and resources to effectively monitor and manage the transit contract. Processes and documentation related to Insurance coverage will be evaluated for opportunities to improve county-wide. The purchasing department is currently evaluating new vendor software that can be used to aid in contract management and insurance documentation.

The monthly meeting that will be held between the transit provider and the county will include discussions of compliance related to contractor required reporting, documentation, training, and performance.