TO: Ken Burke  
Clerk of the Circuit Court  
Ex Officio County Auditor

FROM: Hector Collazo, Jr., Director  
Division of Inspector General

SUBJECT: Audit of Countywide Printing Services

DATE: June 10, 2010

I am enclosing a copy of the report dated June 10, 2010 on the above-referenced audit.

cc: Myriam Irizarry, Chief Deputy Director, Court and Operational Services Division  
Suzanne Mucklow, Executive Director, Court and Operational Services Division  
Colleen Ford, Director, Court and Operational Services Division  
Steve Twardowski, Manager, Printing Services  
Claretha N. Harris, Chief Deputy Director, Finance Division  
Ernst & Young
AUDIT OF
COUNTYWIDE PRINTING SERVICES

Audit Services
Division of Inspector General

Ken Burke, CPA*
Clerk of the Circuit Court
Ex Officio County Auditor

Hector Collazo, Jr., CFE, CFS, CISA, CIG
Director, Audit Services
Division of Inspector General

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Ava Jurek, CIA, CIGA, MS - Internal Auditor II

JUNE 10, 2010
REPORT NO. 2010-11

*Regulated by the State of Florida
June 10, 2010

The Honorable Ken Burke
Clerk of the Circuit Court

We have conducted an audit of the Countywide Printing Services. Our audit objectives were to determine if:

- Any cost savings regarding Printing Services can be established.
- County processes relating to printing services are efficient and effective.
- The billing system and quotes provided by Printing Services include all appropriate costs.
- The County Purchasing Credit Cards (P-Cards) for printing purchases are in compliance with the purchasing policies.
- Cost savings may be achieved by closing Printing Services and contracting out all our printing needs.

Opportunities for improvement are presented in this report. We appreciate the cooperation shown by the staff of Printing Services during the course of this review.

Respectfully Submitted,

Hector Collazo, Jr., Director
Audit Services
Division of Inspector General
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EXECUTIVE SUMMARY

We conducted an audit of the Clerk’s Countywide Printing Services Operation’s processes, controls and transactions. The objectives of our audit were to determine if printing services operations are efficient and effective, and whether any cost savings can be achieved. We also reviewed the billing system and whether the County use of purchasing cards for printing services are in compliance with applicable regulations. Our audit included a review to determine if cost savings could be achieved by closing Printing Services and contracting out the County’s printing needs.

We conclude that Printing Services provides a cost effective solution for County departments’ printing needs, and the use of purchasing cards for County purchases of printing services is in accordance with regulations. This centralized printing function performed by the Clerk’s Office, rather than private companies, saves significant public funds. However, Printing Services does not charge its full cost to its customers.

Printing Services lost $653,548 in Fiscal Year 2007/2008. The loss in Fiscal Year 2008/2009 through February 2009 is $218,449, with the average monthly losses of $54,462 and $41,262, respectively. These losses are due to Printing Services’ management using only a portion of the direct labor costs, direct materials’ cost and equipment depreciation to calculate their costs. Indirect costs not included in their calculation of costs are executive and support staff salaries and benefits, ordering and delivering copy paper, office supplies, building lease, and building maintenance and utilities. In addition, some calculations used are incorrect. Currently, Printing Services (Clerk of the Circuit Court) is subsidizing all of their internal customers (Board of County Commissioners’ Operations) and external customers’ printing jobs (City of Clearwater). All direct and indirect costs should be captured in the job cost calculations to recover the costs of production.

The County is wasting thousands of dollars every year due to departments outsourcing printing jobs. We reviewed 681 printing-related purchasing card transactions valued at $229,043 placed by County departments with outside vendors in Fiscal Year 2008/2009. An example of monies that could have been saved includes an order for letterhead and envelopes in which the department paid $1,099 to an outside vendor when the cost of Printing Services would have been $128.50. The departments can order the same quality materials at Printing Services at approximately 10% of the cost charged by the outside vendor. The Clerk’s Printing Services is capable of meeting a large portion of the County’s printing needs at a much lower price than the purchases we tested.

Staff at two County departments perform essentially the same graphic design services. The Communications Department and Printing Services have desktop publishing staff with overlapping responsibilities. These employees are designing flyers, brochures and other printed materials for County departments. We recommend Printing Services’ management work with County management to consolidate the graphic design services of both departments into one central location.

While performing the audit of the Clerk’s Printing Services operations, issues were found relating to the renewal of the current lease agreement for the Clerk’s Printing Services’ building. We issued an interim report during our audit to facilitate timely decision-making, because our recommendations involved potentially significant savings. The County budget process and the potential lease renewal were underway at that time. We concluded that relocation could save the County $357,723. Effective July 1, 2009, Real Estate Management renegotiated the lease and was able to reduce it by $26,384, a 16.67% savings. We appreciate Real Estate Management following up on our interim report.

Our report contains 12 recommendations for improvement. We encourage management to implement our recommendations.
INTRODUCTION

Synopsis

Printing Services does not recover the total cost of the services provided because management has calculated costs based on only a portion of the direct and indirect costs. Therefore, Printing Services is subsidizing all of their internal and external customers’ printing costs. In Fiscal Year 2007/2008, Printing Services incurred losses of $653,548 and losses in Fiscal Year 2008/2009 through February were $218,449. To recover total costs of production, Printing Services management should include all direct and indirect costs in cost calculations.

Scope and Methodology

We conducted an audit of the Clerk’s Printing Services Operations processes, controls and transactions for the Fiscal Year 2008. The objectives of our audit were to determine if:

- Any cost savings regarding Printing Services can be established.
- Cost savings may be achieved by closing Printing Services and contracting out all our printing needs.
- County processes relating to printing services are efficient and effective.
- The billing system and quotes provided by Printing Services include all appropriate costs.
- The County Purchasing Credit Cards (P-Cards) for printing purchases are in compliance with the purchasing policies.

Our audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and the Standards for Offices of Inspector General, and accordingly, included such tests of records and other auditing procedures, as we considered necessary in the circumstances. The audit period was October 2007 through July 31, 2009. However, transactions and processes reviewed were not limited by the audit period.

Overall Conclusion

Printing Services provides a cost effective solution for County departments’ printing needs. This centralized printing function performed by the Clerk’s Office, rather than private companies, saves significant public funds. However, Printing Services does not charge its full cost to its customers. As a result, Printing Services lost $653,548 in Fiscal Year 2007/2008 and $218,449 in Fiscal Year 2008/2009 through February 2009.
We conclude that purchases related to printing services using the County P-Cards are in accordance with County policies. Opportunities for Improvement are included in this report.

**Background**

Printing Services is located at 12100 28th Street North in St. Petersburg. The 14,500 square foot building has small offices on the second floor attached to the large warehouse containing the printing production area and storage.
The Printing Services’ budget for Fiscal Year 2008/2009 is $934,990 which consists of:

- $665,990 for personal services
- $166,120 for operating expenses
- $102,880 for capital outlay

Printing Services’ staff consists of:

- Manager (also manages the Clerk’s Mail and Courier Services)
- Assistant Manager
- Two desktop publishing employees
- Secretary
- Six production employees working in the press room
- One warehouseman (Mail Services employee)

According to the Printing Services’ Website:

“Clerk’s Printing Services was established by the Clerk to provide cost efficient printing services to county government agencies and internal departments as well as several services not statutorily required of the Clerk. Services include electronic desktop publishing, computerized high speed digital copying, color copying, offset press printing (single & 2 color) and a wide assortment of binding and finishing operations. Departmental equipment is continually upgraded to keep pace with the latest changes in technology. Printing Services uses state of the art equipment to provide quality printed materials at substantially reduced costs to users. With an estimated 25-35% savings over outside printing sources, the benefits of in-house printing are shared amongst all users.

Hours of Operation: 8:00 am - 5:00 pm, Monday thru Friday”

The Printing Services’ volume of work, including print and copy impressions, in Fiscal Year 2006/2007 through February of Fiscal Year 2008/2009 are illustrated on the following page.
Introduction
Audit of Countywide Printing Services

### Total Print Impressions for FY 07-09

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Clerk's Impressions</th>
<th>Other Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>1,000,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>2008</td>
<td>2,000,000</td>
<td>2,000,000</td>
</tr>
<tr>
<td>2009 thru Feb</td>
<td>3,000,000</td>
<td>3,000,000</td>
</tr>
</tbody>
</table>

### Total Copy Impressions for FY 07-09

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Clerk's Impressions</th>
<th>Other Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>1,000,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>2008</td>
<td>2,000,000</td>
<td>2,000,000</td>
</tr>
<tr>
<td>2009 thru Feb</td>
<td>3,000,000</td>
<td>3,000,000</td>
</tr>
</tbody>
</table>
Printing Services’ revenues for Fiscal Year 2006/2007 through February of Fiscal Year 2008/2009 were as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Clerk’s Department</td>
<td>$115,669</td>
<td>$127,154</td>
<td>$50,414</td>
<td>$120,993</td>
</tr>
<tr>
<td>County Departments</td>
<td>$142,891</td>
<td>$240,423</td>
<td>$99,567</td>
<td>$238,960</td>
</tr>
<tr>
<td>Outside Agencies</td>
<td>$118,269</td>
<td>$132,734</td>
<td>$41,050</td>
<td>$123,150</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$376,829</strong></td>
<td><strong>$500,311</strong></td>
<td><strong>$191,031</strong></td>
<td><strong>$483,103</strong></td>
</tr>
</tbody>
</table>

![Printing Services Revenue FY 07-09](chart.png)
The total cost of running Printing Services in Fiscal Year 2006/2007 through February of Fiscal Year 2008/2009 was:

<table>
<thead>
<tr>
<th>Printing Services Income</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Monthly Income</td>
<td>$41,693</td>
<td>$40,259</td>
</tr>
<tr>
<td>Average Monthly cost to run Printing Services</td>
<td>$96,155</td>
<td>$81,521</td>
</tr>
<tr>
<td><strong>Average Monthly Income (Loss)</strong></td>
<td>($54,462)</td>
<td>($41,262)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Printing Services Income</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>$500,311</td>
<td>$191,031</td>
</tr>
<tr>
<td>Expenditures</td>
<td>$1,153,859</td>
<td>$409,480</td>
</tr>
<tr>
<td><strong>Net Income (Loss)</strong></td>
<td>($653,548)</td>
<td>($218,449)</td>
</tr>
</tbody>
</table>

Printing Services accrues large deficits each year. These deficits are covered at the end of each Fiscal Year from the Clerk’s General Fund.
OPPORTUNITIES FOR IMPROVEMENT

Our audit disclosed certain policies, procedures and practices that could be improved. Our audit was neither designed nor intended to be a detailed study of every relevant system, procedure or transaction. Accordingly, the Opportunities for Improvement presented in this report may not be all-inclusive of areas where improvement may be needed.

1. **Printing Services Does Not Recover Their Total Costs Of Printing Services.**

Printing Services lost $653,548 in Fiscal Year 2007/2008. The loss in Fiscal Year 2008/2009 through February 2009 is $218,449, with the average monthly losses of $54,462 and $41,262, respectively. These losses are simply due to Printing Services management using only a portion of the direct labor costs, direct materials’ cost and equipment depreciation to calculate their costs. All of the following indirect costs are **not** included in their calculation:

- Executive and support staff salaries and benefits
- Ordering and delivering copy paper
- Office supplies
- Building lease
- Building maintenance and utilities

In addition, some calculations used are incorrect. We noted examples as follows:

- Per click cost (per copy) is the cost to print one sheet of paper, which includes the pressmen base hourly wages only instead of total wages and cost of benefits.

Per copy cost for the four-color press is based on 5,000,000 clicks per year. The actual number of clicks in Fiscal Year 2008 was 1,647,048. Also, not all the processes used to produce the final product are included in the final product cost. During our review of the orders in the Printing Services ordering system, we noted that the two desktop publishing employees logged time they spent working on job orders, but there were no corresponding charges in the billing system. Desktop staff costs amounted to $111,082 in Fiscal Year 2008, and none of these costs were recovered.

The methodology used to calculate per copy costs has never been properly analyzed by qualified personnel to determine if all the costs were accounted for and the per copy charge was properly calculated. Key overhead costs have been omitted in the total cost calculation by not using the proper product costing methodology that includes both direct and indirect costs to run Printing Services.
Good business practices require service providers, such as Printing Services, to calculate accurate costs of production to cover all their current expenses, plus have a small surplus for future capital needs and unforeseen expenses. Currently, Printing Services (Clerk of the Circuit Court) is subsidizing all of their internal customers (Board of County Commissioners Operations) and external customers’ printing jobs (City of Clearwater). All direct and indirect costs should be captured in the job cost calculations to recover the costs of production.

The table below summarizes current per copy rates charged by Printing Services, which were calculated using direct per hour labor rates (excluding benefits), direct supplies and equipment depreciation (over a five year period).

<table>
<thead>
<tr>
<th>Equipment and Staff Costs (per copy*)</th>
<th>Current Charge</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRESSES</td>
<td>$0.006954</td>
<td>$0.0075</td>
</tr>
<tr>
<td>COPIERS</td>
<td>$0.007247</td>
<td>$0.0075</td>
</tr>
<tr>
<td>4-COLOR</td>
<td>$0.019778</td>
<td>$0.0350</td>
</tr>
</tbody>
</table>

*Per copy cost is the cost to print one sheet of paper. These costs are calculated by Printing Services and do not include all charges.

Our review determined the following areas are omitted from the rate charges:

**Direct Costs**

1) The number of clicks represents the number of impressions/copies to determine the cost to print each sheet of paper (presses’ and copiers’ cost are close to the actual number of clicks). However, the four color press is estimated as 5,000,000 clicks per year, which is the basis on which Printing Services calculated its costs. The actual number of clicks in Fiscal Year 2007/2008 was 1,647,048 (estimated at 8,235,240 for a five year period). We recalculated the per copy cost per year based on the actual number of clicks:

<table>
<thead>
<tr>
<th>Press Type</th>
<th>Total Press Cost</th>
<th>Impressions Per Year x 5 Years</th>
<th>Actual Cost Per Copy</th>
</tr>
</thead>
<tbody>
<tr>
<td>4-COLOR*</td>
<td>$340,970</td>
<td>8,235,240</td>
<td>$0.041404</td>
</tr>
</tbody>
</table>

* Per Copy Cost – cost to print one sheet of paper.
The correct per copy cost based on the actual number of copies produced on the color press in Fiscal Year 2007/2008 were estimated to be $.041404.

2) The direct labor per click cost for the Printer I and Printer II was calculated based on the net wages and did not include the cost of benefits. The total direct labor was recalculated to include Printers I & II wages and benefits as follows:

<table>
<thead>
<tr>
<th>Employee Cost</th>
<th>Per Copy Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Copy Cost per Printer I</td>
<td>$0.0059423579</td>
</tr>
<tr>
<td>Copy Cost per Printer II</td>
<td>$0.0063711226</td>
</tr>
<tr>
<td>Average per Printer</td>
<td>$0.0061567403</td>
</tr>
</tbody>
</table>

3) The direct cost for desktop publishing was not included. The following per copy cost for desktop publishing is estimated to be:

<table>
<thead>
<tr>
<th>Direct Costs To Print Calculation Based On Fiscal Year 2008 Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Desktop Cost Total</td>
</tr>
<tr>
<td>$111,082</td>
</tr>
</tbody>
</table>

**Indirect Costs**

Indirect costs, including administrative and executive salaries, lease, utilities, maintenance costs and general administrative costs were estimated as follows:

<table>
<thead>
<tr>
<th>Indirect - Per Copy Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Indirect Costs</td>
</tr>
<tr>
<td>$392,874</td>
</tr>
</tbody>
</table>

None of these indirect costs were included in Printing Services’ calculation of costs used in determining charges for its services.
The following table represents our estimated recalculated per copy charges which include all the identifiable direct and indirect costs to print a sheet of paper:

<table>
<thead>
<tr>
<th>Equipment</th>
<th>Revised Charges</th>
<th>Additional Direct Cost</th>
<th>Additional Indirect Cost</th>
<th>New Charge Per Click</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRESSES</td>
<td>$0.0082058</td>
<td>$0.0051697</td>
<td>0.0169099000</td>
<td>0.0302853307</td>
</tr>
<tr>
<td>COPIERS</td>
<td>$0.0084988</td>
<td>$0.0051697</td>
<td>0.0169099000</td>
<td>0.0305783488</td>
</tr>
<tr>
<td>4-COLOR</td>
<td>$0.0475605</td>
<td>$0.0051697</td>
<td>0.0169099000</td>
<td>0.0696400764</td>
</tr>
</tbody>
</table>

The estimated new per copy cost is significantly higher than the current per copy cost after all the identifiable costs to print are included.

<table>
<thead>
<tr>
<th>Item</th>
<th>Quantity</th>
<th>Old Cost</th>
<th>New Cost</th>
<th>Cost Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Envelopes</td>
<td>500</td>
<td>$15.00</td>
<td>$26.04</td>
<td>57.60%</td>
</tr>
<tr>
<td>Letterhead</td>
<td>500</td>
<td>$22.50</td>
<td>$33.29</td>
<td>67.59%</td>
</tr>
<tr>
<td>Copies</td>
<td>1,000</td>
<td>$14.50</td>
<td>$36.57</td>
<td>39.65%</td>
</tr>
<tr>
<td>Heritage Village Book</td>
<td>2,000</td>
<td>$1,495.90</td>
<td>$2,705.02</td>
<td>55.30%</td>
</tr>
</tbody>
</table>

To determine whether the actual costs are competitive with private vendors, we compared Clerk’s Printing Services’ costs with amounts paid by departments to outside companies. We found that the higher cost per copy at Printing Services remains very competitive when compared to the prices charged by outside vendors.
Printing Services is a proprietary type of activity which should be able to sustain its operations based on charges to its customers. Currently, Printing Services is budgeted as a department in the Clerk’s Budget. Therefore, Printing Services does not operate in its own fund, whereby its expenditures are funded from the charges for its work. Therefore, it is not required to sustain itself based on charges to customers.

This situation would be remedied by establishing Printing Services as an Internal Service Fund. As an Internal Service Fund, Printing Services would be able to charge for print jobs to recoup all expenditures and build a reserve for capital expenses and unforeseen expenses. Further, they would be required to cover all their costs and not be subsidized by other General Fund dollars. An added benefit is, as an Internal Service Fund, Printing Services would have to stay competitive and efficient, or potentially, the County could outsource all their printing needs. According to the GFOA (Government Finance Officers Association) "Blue Book":

“Internal Service Fund is a proprietary fund type that may be used to report any activity that provides goods or services to the other funds, departments or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis.”

We Recommend management:

A. Restructure fee schedules to ensure that all direct and indirect costs of production are included in the fee structure.

B. Establish Printing Services as an Internal Service Fund.

Management Response:

A. We agree. We have made changes in the fee structure to include desktop publishing costs and have increased the per click charges. We are currently exploring the binding and finishing costs to determine the proper fee.

B. We disagree. The Clerk’s Printing Services Department is part of the County’s Central Services program which means that all costs, direct and indirect, which are allocated to the operation of the Department and have not been recovered by our billing process, are efficiently collected and distributed to the budgets of the departments utilizing our services. This is accomplished annually by the County’s OMB (Office of Management and Budget) Department working with Clerk’s Finance Division to account for all costs, building expenses, maintenance, utilities, all salaries/benefits including executive and support, equipment depreciation, supplies, etc. relating to the Printing Services Department as well as all the other departments under the County’s Central Services program. This indicates that all the costs associated with the Clerk’s Printing Services department are being collected from individual departmental budgets and reimbursed to the County’s general budget by the intergovernmental cost allocation system.
Inspector General Reply:

We appreciate management’s position; however, we reiterate the recommendation that the Clerk’s Printing Services Department become an Internal Service Fund. As an Internal Service Fund, Printing Services would be required to recover all costs (indirect/direct) ensuring they operate an efficient and cost effective operation.


While performing the audit of the Clerk’s Printing Services Operations, issues were found relating to the renewal of the current lease agreement for the Clerk’s Printing Services building. We issued an interim report to facilitate timely decision-making because our recommendations involved potentially significant savings and the County budget process and the potential lease renewal was underway. This situation was reported to management on June 30, 2009, Report Number 2009-14, Interim Audit of Clerk’s Print Shop Operations, Renewal of Lease Agreement for Clerk’s Printing Services with Workman Properties, Inc.

*NOTE: Effective July 1, 2009, Real Estate Management renegotiated the lease and was able to reduce it by $26,384, a 16.67% savings. We would like to take this opportunity to thank Real Estate Management for following up on our June 30, 2009 Interim Report.*

The Clerk's Printing Services building, which is considered a light manufacturing/warehouse facility, is located at 12100 28th Street North in St. Petersburg, and occupies approximately 14,500 square feet of space (12,500 square feet of warehouse space and 2,000 square feet of office space) and 30 parking spaces. The Clerk's Records Management Division also uses portions of the building. Both departments occupy approximately 8,000 square feet of the office and warehouse space with the remaining space used as storage for the forms, copy/printing paper and computer equipment.

Pinellas County initially entered into a lease agreement with Workman Properties, Inc. (Landlord) in June of 2000. At that time, the Clerk’s Printing Services and Records Management had to be relocated from the Clearwater Annex building due to renovations. Under the conditions of the lease agreement, the Landlord is responsible for:

- Property taxes
- Insurance
- Maintenance

The County pays:
Opportunities For Improvement
Audit of Countywide Printing Services

- All utilities
- Janitorial services
- Pest control (triple net type lease)

The current lease rate is $10.19 per square foot per year or $147,762 annually and expires on June 30, 2009. Per Real Estate Management, the current lease was recently renegotiated and the Landlord verbally agreed to an 8% discount beginning July 1, 2009 under the condition that the County renews the contract for another 3 years. The 8% discount means that the County would pay $135,941 per year with a potential annual savings of $11,821 compared to the current rate.

Based on the review of the comparable properties available for lease in central Pinellas County and information obtained from the local commercial real estate research publications, the lease rate charged for the Printing Services building appears unreasonably higher than the current asking commercial lease rates for the comparable properties in the area. The renegotiated lease agreement appears not to be in the best interest of the County and will require the County to annually spend tens of thousands of dollars more than necessary.

The graph below illustrates the comparable light manufacturing/warehouse properties currently (May 2009) available for lease in central Pinellas County.

Note: All leases except #10 are “triple net” leases, which includes property taxes, insurance and maintenance.
The lease on property #10 is a “modified gross,” which includes property taxes, insurance and all operational expenses in the first (base) year. In subsequent years, the lessee is responsible for a percentage of increases in building property taxes, insurance, utilities and other operating expenses.

Based on the above information, the median light manufacturing/warehouse asking lease rate is $6.45 per square foot. As a result, the County is currently paying 37% more per square foot ($10.19) than the median lease rate for a comparable property.

Per Grubb & Ellis, *Industrial Market Trends Tampa Bay First Quarter 2009*, quarterly newsletter, the average asking rate (triple net) for the warehouse space is $5.55 in North Pinellas and $5.67 in South Pinellas, which dropped from the last quarter of 2008, which were respectively $5.65 and $5.92.

Further, the newsletter indicated the vacancy rates for the commercial real estate sector are:

- 6.8% in North Pinellas
- 8.5% in South Pinellas
- Average vacancy throughout the County was approximately 7.65%
According to the *Marketbeat Pinellas County Industrial Report 4Q08, A Cushman & Wakefield Research Publication,* at the end of 2008, tenant demand decreased and so did the net rental rates and the absorption. The cost to lease manufacturing space (accounts for 52.3% of the industrial space in Pinellas County) decreased significantly by $1.07 per square foot since year end 2007 to a current average of $4.76.

Cushman & Wakefield forecasts that the vacancy rates will increase during 2009 and the demand from tenants will remain at below average levels. Therefore, the competition between landlords will continue to drive down asking lease rates and increase lease concessions in favor of tenants who make lease commitments.

Based on the above analysis, it appears that the current market asking lease rate for a warehouse/light manufacturing property is under $6 per square foot per year and the median asking lease rate is $6.45 per square foot. Management should either renegotiate the Printing Services lease with the Landlord to the median current asking price of $6.45 per square foot or less, or move to a more centrally located property that offers comparable space at a much lower lease rate.
Potential annual lease costs are as follows:

If we renegotiate the lease rate down to the median price of $6.45 per square foot, the County could potentially save $54,237 annually. However, this may not be agreeable to the current landlord, who is used to receiving the extra $54,237 annually.

During our review, we visited a number of comparable warehouses available for rent, which we determined would meet the needs of the Clerk’s Printing Services. For example, in the central Pinellas County area, the Internal Audit Division, with the assistance of Printing Services management, visited 8565 Somerset Drive in Largo. This property was built in 2004; it is fully air-conditioned, centrally located, offers grade and weather protected dock loading, it has 18 foot ceilings, 400 amps 3 phase electric, ample parking and is in excellent shape. It also contains an insulated ceiling which helps conserve energy. The property consists of three warehouse/manufacturing buildings and offers a total of 32,000 square feet at $5.95 per square foot per year triple net or $7.40 modified gross. Currently, there is a 9,000 square foot warehouse (includes 1,500 square foot office space) available for lease. The building in its current shape would perfectly fit Printing Services and would not require any build out.
The estimated cost to move Printing Services, including all heavy machinery, would be $21,100. Therefore, Printing Services would save $104,734 the first year and $125,834 per year each subsequent year.

### Cost Savings

<table>
<thead>
<tr>
<th>Facility</th>
<th>Size</th>
<th>Cost Per Sq. Foot</th>
<th>Annual Lease Cost</th>
<th>Operational Costs (FY08)</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Printing Services</td>
<td>14,500</td>
<td><strong>$10.19</strong></td>
<td>$147,762</td>
<td>$44,672</td>
<td>$192,434</td>
</tr>
<tr>
<td>Possible New Facility</td>
<td>9,000</td>
<td><em>$7.40</em></td>
<td>$66,600</td>
<td></td>
<td>$66,600</td>
</tr>
<tr>
<td>Potential Savings</td>
<td>5,500</td>
<td><strong>$2.79</strong></td>
<td>$81,162</td>
<td>$44,672</td>
<td>$125,834</td>
</tr>
</tbody>
</table>

* Modified gross lease rate. In subsequent years, the lessee is responsible for a percentage of increases in building property taxes, insurance, utilities and other operating expenses.
** Rounded.
In the event Printing Services and Records Management merge with the Clerk’s Records Storage at 4400 118th Street in St. Petersburg and move to an existing, centrally located 13,750 square foot property available at the same location, the savings would be as follows:

<table>
<thead>
<tr>
<th>Facility</th>
<th>Size</th>
<th>Cost Per Sq. Foot</th>
<th>Annual Lease Cost</th>
<th>Operational Costs</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old Facilities (Cumulative)</td>
<td>20,170</td>
<td></td>
<td>$186,582</td>
<td>$50,909</td>
<td>$237,491</td>
</tr>
<tr>
<td>Possible New Facility</td>
<td>13,750</td>
<td>$8.60*</td>
<td>$118,250</td>
<td></td>
<td>$118,250</td>
</tr>
<tr>
<td>Potential Annual Savings</td>
<td>6,420</td>
<td></td>
<td>$68,332</td>
<td>$50,909</td>
<td>$119,241</td>
</tr>
</tbody>
</table>

* The modified gross lease rate also includes the cost of build-out, excluding vault. Rate is based on a five year lease agreement.

Even with the build-out cost (excluding vault) incorporated into the gross modified lease rate, the County could save $119,241 (less moving costs) per year. Additional savings would include lower transportation costs if Printing Services is moved to a central Pinellas County location closer to other County departments and offices. Potential savings on a five year lease would amount to $596,205 (less initial moving costs). Also, this property offers an additional 18,000 square feet of vacant office/warehouse space if the County decided to relocate and consolidate more of its operations in this central location.

The current Printing Services’ lease conditions are unfavorable for the County and would lock in an exorbitant lease rate 37% higher than the current median asking triple net lease rate. In addition, the renewal would prevent Printing Services from moving into a more cost-efficient building for another three years. Therefore, the County would waste an estimated $357,723 in avoidable lease costs.

Since the 90-day period for submitting a non-renewal notice to the Landlord has already passed, the County would be obligated to settle the non-renewal with the Landlord or to lease the property for one additional year.

According to the Pinellas County Real Estate Lease Manager, the Equis Corporation is currently working on a space study for building a centralized 90,000 square foot warehouse that would consolidate Printing Services and Clerk’s Records Management, among other departments. In 2006, Equis had already developed a strategic plan for developing new County facilities consisting of four solutions. The plan included merging Printing Services and Clerk’s Records Management into a 30,000 square foot warehouse.

The cost for the four presented options ranged from $18,831,438, if the County continued to lease, to up to $385,144,184, if the County purchased and built on to an existing facility. One plan considered purchasing land in 2006 in case the County decided to build a brand new campus and moving County departments beginning in 2008 or in 2010. Therefore, the timeline from the purchase to the move was expected to be a two year period. Three years have passed since the plan was presented and the County apparently has no current intentions to implement it. Due to the severe budget cuts and subsequent downsizing in staff and services,
the plans to build new facilities had to be postponed. It is unclear at this point how soon the County will be able to revisit these plans. It may take three to five years or more before the County is in a position to invest millions of dollars to build new facilities. Therefore, it is imperative to take advantage of the current commercial leasing market conditions.

It is inefficient, costly and imprudent for any business to occupy a warehouse that is larger than needed to conduct business and pay much more than feasible for the lease, utilities and maintenance of the property.

**We Recommend** the Clerk’s Office, in cooperation with Real Estate Lease Management:

A. Renegotiate and renew the lease agreement for one year only.

B. Start the process to merge Printing Services, Records Management and Clerk’s Storage (upon its lease expiration in December 2010) in a centrally located, more affordable warehouse, such as the property located at Somerset Drive or similar. This merge would potentially save the County $119,241 per year in lease and operational cost savings for the two facilities.

**Management Response (Real Estate Management):**

Upon review by the Real Estate Management staff, many properties identified in the report did not include or were found deficient in areas required for the Print Shop. The operational requirements were defined by Print Shop staff and were used by Real Estate Management staff to identify suitable properties. The deficiencies include:

1. Telephone and data service installation (including transfer of T1 lines)
2. Dehumidified air conditioning in the warehouse
3. Grade level loading dock with truck well
4. Security system
5. Fire sprinklers/protection
6. Signage
7. Office space
8. White lighting

The deficiencies noted above account for some of the variance in lease rates found by Internal Audit. In addition, some of the rates quoted were teaser rates only good for the first or second year of a five (5) year term. Other rates did not include or have caps on taxes and insurance. Interior maintenance was not included in any of the alternative sites.

After reviewing these issues, the perceived savings opportunities radically diminished. In light of these factors, Real Estate Management Department went back to the current landlord and negotiated additional concessions.
The proposed amendment recommended by Real Estate Management Department is now a two (2) year term with two (2) six-month extensions. The lease may be terminated with 180 days notice prior to the end of the term. *The total annual rent reduction is $26,384.67 (16.67%).*

The two year term, effective July 1, 2009, allows the County to complete the Countywide Records Management space study and for the Clerk to further explore digitized documents. Leases pertaining to Clerk’s Printing Services and Records Storage will be revisited based upon recommendations presented in the study and operational changes made by the Clerk.

**Inspector General Reply:**

We commend Real Estate Management for quickly responding to our Interim Audit Report resulting in renegotiating for a more favorable lease rate for the Print Shop facility.

**3. The County Is Wasting Thousands Of Dollars Every Year Due To Departments Outsourcing Printing Jobs Instead Of Using The Clerk’s Printing Services.**

County departments are sometimes outsourcing printing needs to outside companies rather than using Printing Services, which is a County function. We noted the following specific concerns:

A. We reviewed 681 printing-related purchasing card transactions valued at $229,043 placed by County departments with outside vendors in Fiscal Year 2008/2009. Most of the 681 transactions were related to printing, but some were for publishing, signs, printing supplies, etc. Examples of the results of our review are presented below:

<table>
<thead>
<tr>
<th>Department</th>
<th>Items ordered</th>
<th>Quantity</th>
<th>Vendor Name</th>
<th>Outside Vendor Cost</th>
<th>Printing Services Cost</th>
<th>Difference in Cost</th>
<th>New Price</th>
<th>Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Rights</td>
<td>Letterhead &amp; Envelopes</td>
<td>2,000</td>
<td><em>Turner Printing</em></td>
<td>$1,099.00</td>
<td>$128.50</td>
<td>$970.50</td>
<td>$217.78</td>
<td>$881.22</td>
</tr>
<tr>
<td>Human Rights</td>
<td>Second page</td>
<td>1,000</td>
<td><em>Turner Printing</em></td>
<td>$1,476.85</td>
<td>$80.50</td>
<td>$1,396.35</td>
<td>$125.64</td>
<td>$1,351.21</td>
</tr>
<tr>
<td>Health and Human Services</td>
<td>Envelopes</td>
<td>1,500</td>
<td><em>Turner Printing</em></td>
<td>$198.00</td>
<td>$38.50</td>
<td>$159.50</td>
<td>$71.61</td>
<td>$126.39</td>
</tr>
<tr>
<td>Utilities</td>
<td>Postcards</td>
<td>1,000</td>
<td><em>Sir Speedy</em></td>
<td>$148.25</td>
<td>$32.08</td>
<td>$116.17</td>
<td>$66.35</td>
<td>$81.90</td>
</tr>
<tr>
<td>Utilities</td>
<td>Scratch Pads</td>
<td>300</td>
<td><em>Jiffy Repro</em></td>
<td>$239.00</td>
<td>$60.00</td>
<td>$179.00</td>
<td>$60.00</td>
<td>$179.00</td>
</tr>
<tr>
<td>Airport</td>
<td>Envelopes, Window Envelopes, Letterhead</td>
<td>1,000</td>
<td><em>Turner Printing</em></td>
<td>$1,262.80</td>
<td>$148.25</td>
<td>$1,114.55</td>
<td>$344.25</td>
<td>$918.55</td>
</tr>
<tr>
<td>Totals</td>
<td></td>
<td></td>
<td></td>
<td>$4,423.90</td>
<td>$487.83</td>
<td>$3,936.07</td>
<td>$885.63</td>
<td>$3,538.27</td>
</tr>
</tbody>
</table>

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Clerk of the Circuit Court
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The Clerk’s Printing Services is capable of meeting a large portion of the County’s printing needs and at a much lower price than the purchases we tested. Based on the price comparisons above, it is quite evident that Printing Services can deliver the same or higher quality items within the same time frame, but at a significantly lower cost.

Instead of sending their printing jobs via the County Mail Services to the Clerk’s Printing Services, County departments use outside vendors in the neighborhood. These departments are not aware that they can order the same quality materials at Printing Services at approximately 10% of the cost charged by the outside vendor.

For example, many departments located in Downtown Clearwater find it more convenient to deal with a neighborhood copy/print service instead of using inter-office mail (Mail Services) to reach Printing Services. Therefore, they often use Turner Printing located at 829 Belleair Road, Sir Speedy located at 1878 Drew Street or Jiffy Reprographics located at 411 South Garden Avenue, all located in Clearwater.

However, the Airport and the Criminal Justice Center are only a few minutes away from Printing Services and could easily use their services as well as using inter-office mail (Mail Services), faxes and email.

During our review of the Purchasing Card transactions, we noticed that the departments use Jiffy Reprographics, Fedex/Kinko, Turner Printing or Sir Speedy, among others. Sir Speedy takes part in the bidding process for the print jobs Clerk's Printing Services cannot handle. C&D Printing won the bid and officially became the vendor that processes all the print jobs Clerk's Printing Services cannot handle. Sir Speedy's bid was $85,743 higher than the C&D Printing quote ($446,703 vs. $360,960). Therefore, it appears that the departments may be overpaying when they use Sir Speedy.

County departments are not required to have a central point of contact for their printing needs. Currently, departments may contact Printing Services, the Communications Department or any outside vendor for their design and printing needs. The Communications Department staff forward completed projects to Printing Services. If
project size or design cannot be produced by Printing Services, it is forwarded to C&D Printing.

Printing Services was established to handle all County printing and copying needs, which includes design and layout. There seems to be some duplicated efforts between Communications graphic designers and Printing Services desktop publishers (see Opportunity for Improvement No. 4). Printing Services has the expertise to determine if the work should be done in-house or contracted out. The County made a significant investment in equipment and professional staff. Therefore, Printing Services should be the central point of contact for all of the County’s printing needs.

B. The Office of Human Rights did not ensure the Pinellas County Identity Standards and Guidelines were followed.

The Office of Human Rights outsourced printing of their letterhead to an outside vendor, Turner Printing. The Pinellas County logo is a trademark and every department is required to adhere to the standards defined in the Pinellas County Identity Standards and Guidelines:

“Pinellas County Government is the banner under which we provide exceptional public service in a myriad of areas that speak to maintaining our high quality of life. With one consistent voice, the Board of County Commissioners has adopted a new logo, which will serve as the visual identity of our banner. In introducing this new image, we must make sure our first impression is the right impression for the public. To accomplish that, we must be diligent in adhering to one set of brand management principles. This identity stylebook is your guide to creating and maintaining the Pinellas County Government brand. Specific use of our signature—from placement, to color and size is detailed to help you promote the right County image. Our success depends heavily on the establishment of a unique, consistent brand. Each of us must be diligent in following the standards set here.”

“… The Pinellas County logo and department logotypes may not be altered in any way…”

The standards’ guideline explains the placement, color and size of the logo and the paper style. At our request during the audit, the letterhead printed by Turner Printing was reviewed and evaluated for adherence to the standard by Printing Services staff.

A sample of a standard letterhead printed according to the Pinellas County requirements and the letterhead produced by Turner Printing are presented below:
Opportunities For Improvement
Audit of Countywide Printing Services

The letterhead printed by Turner Printing violates the County standards in that:

1. The colors of the logo seem "faded" and not as defined in the Identity Standards.
2. The name font is not OceanSanMMlt, but appears to be Arial.
3. The paper used was Linen instead of Cougar Opaque Smooth White 24 lb. (Recycle Mix).

The Pinellas County Identity Standards and Guidelines have been developed to provide guidelines for consistent and proper application of the County logo graphics. Each County department is responsible for ensuring that the logo standards are followed. Clerk’s Printing Services strictly follow the County trademark guidelines and should be the sole source of all printed materials for the County departments. The Office of Human Rights had its letterhead printed by Turner Printing, which is not aware of the County branding standards. The Office of Human Rights has a responsibility to ensure County policies are followed.

We Recommend management:

A. Work with the BCC and other elected officials to require all County printing and copying needs be provided by Printing Services.
B. Work with the County Administrator to ensure the Pinellas County Identity Standards and Guidelines are being followed.

Management Response:

A. We agree. The information in this section clearly shows the significant savings that can be realized by County Departments’ utilization of Clerk’s Printing Services. Through the years, we have made many efforts to inform everyone of our services by meeting with individual Departments’ representatives to demonstrate our capabilities, providing tours of our facility, consistently providing quality service and products, general announcements of enhancements to the services we provide and an open house when we added our 4-Color press. The audit indicated that some customers found it more convenient to deal with neighborhood copy/print service instead of driving or using interoffice mail to reach the print shop. We have addressed the issue of our location not being easily accessible due to our distance from other County locations by utilizing the Clerk’s Courier Service to pick up and deliver print jobs, using the Depot van to make special/stat delivers, offering to come to our customers’ location, if needed, to review their print jobs and starting a FTP Site to provide an electronic area for everyone to easily place and access their individual print files. We believe that our efforts to provide door-to-door services make it more convenient for our customers than utilizing neighborhood printers.

Our future marketing efforts to increase the use of our printing services will be to design an informational brochure that will fully detail all the abilities of the print shop. We are a one-stop print shop that can handle the majority of the County’s printing requirements and when there is a request that is beyond our capabilities to efficiently provide/produce, we will know and recommend the appropriate source to economically fulfill their request.

B. We agree. We will ask the County Administrator to mandate that all print jobs be submitted to the Clerk’s print shop for pricing and to determine if the request can be fulfilled by the print shop. The Clerk’s printing operation strictly follows the County trademark guidelines and would be happy to work with any department needing our guidance.

4. **Desktop Staff At Two County Departments Perform Essentially The Same Graphic Design Services.**

The Communications Department and Printing Services have desktop publishing staff with overlapping responsibilities. These employees are designing flyers, brochures and other printed materials for County departments.
There are two desktop publishing technicians at Printing Services responsible for the design of the printed materials. There are four graphic designers at the Communications Department responsible for the design of the printed materials in addition to other duties. Both Communications and Printing Services staff serve BCC and the Clerk's departments while performing basically the same functions. However, according to the job requirements listed in the job descriptions, designer responsibilities at the Communication's Department require more qualifications and education than the desktop publishing technician positions at Clerk's Printing. It may be cost effective to consolidate the design of the printing materials to one County location.

**We Recommend** Printing Services management work with County management to consolidate the graphic design services of both departments into one central location.

**Management Response:**

We disagree with this recommendation. Although there are similarities in the basic responsibilities, each position performs unique duties in their individual Departments. As an example, Desktop Publishing Personnel at the print shop are responsible for archiving, editing and retrieval of all electronic forms as well as maintaining current revisions of all forms. Combining these positions under only one of our Departments would leave the other Department without the ability to perform vital functions needed in the individual Departments.

**Inspector General Reply:**

We appreciate management’s position; however, as noted above, these positions have overlapping responsibilities and there are clear cost savings with the implementation of the recommendation. Furthermore, with the appropriate systems and training in place, the minor position uniqueness can easily be overcome.

**5. Printing Services’ Handling Of Copy Paper Storage And Distribution Results In An Annual Loss Of At Least $1,658 For The Clerk’s Office.**

Management directed Printing Services to purchase copy paper for the Clerk's departments in bulk and deliver it on an as needed basis to the departments.

It is generally cost-effective and fiscally prudent to purchase products in bulk and centralize their disbursement. However, our cost analysis has determined that in this particular case, the Clerk’s Office is losing money.

In Fiscal Year 2007/2008, the Clerk’s Office purchased 1,260 boxes of copy paper for use by the Clerk’s departments. We calculated the total cost of copy paper purchased, storage,
delivery and handling, and compared it to the cost of copy paper purchased directly from Office Depot by each individual department. For the purpose of proper cost calculation, we:

- Allocated 25% of annual van maintenance, repair and fuel costs to the cost of copy paper delivery.
- Included the annual cost of the warehouse (lease and utilities) space used to store the copy paper (estimated at 3% of the total space), and estimated the labor (staff hours) it takes one staff member to load, transport (drive to and from location) and unload the copy paper to each area of the County and multiplied by the number of times deliveries are made per month.
- Calculated cost of the bulk copy paper.

The results of our analysis are summarized below:

<table>
<thead>
<tr>
<th>Description</th>
<th>Office Depot Cost</th>
<th>Printing Services Cost</th>
<th>$ Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,260 Boxes of Paper</td>
<td>$43,003</td>
<td>$34,020</td>
<td>$8,983</td>
</tr>
<tr>
<td>Storage</td>
<td>$0</td>
<td>$5,285</td>
<td>-$5,285</td>
</tr>
<tr>
<td>Delivery/staff cost</td>
<td>$0</td>
<td>$4,255</td>
<td>-$4,255</td>
</tr>
<tr>
<td>Van Cost (fuel &amp; maintenance)</td>
<td>$0</td>
<td>$1,101</td>
<td>-$1,101</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$43,003</td>
<td>$44,661</td>
<td>-$1,658</td>
</tr>
</tbody>
</table>

Note:
1,260 boxes of paper ordered in Fiscal Year 2008.
Storage – paper takes up approximately 3% of the warehouse space.
Staff delivery cost was calculated based on the estimated times to load, transport and deliver paper to the various departments.
Van used for delivery for up to 25% of all deliveries.
All the figures are rough estimates.

- Based on the review of the total costs of paper purchase, storage and delivery incurred by the Clerk’s Office, it appears that the Clerk’s Office is not saving money buying in bulk and this centralized distribution of copy paper is providing little, if any, benefit. It may be prudent to stop the copy paper deliveries and allow each department to purchase copy paper individually.
We Recommend management discontinue centralized copy paper distribution to the Clerk’s Departments.

Management Response:

We disagree with this recommendation. Copy paper is purchased by the truck load to cut cost and is distributed by the team members of the Depot and Courier Services. We disagree with the analysis chart on page 21 which compares rough estimates of in-house cost to ordering the copy paper directly from Office Depot showing a $1,658.00 loss. First, in Fiscal Year 2008-2009, we purchased 3 truckloads of paper with an average cost per box of $25.82 which when multiplied by the 1,260 boxes used for comparison is a total dollar amount of $32,533, which is $1,487 less than the $34,020 the chart showed. The chart also shows an estimated $5,285 for storage costs and our estimated storage cost is $4,625, another $660 less. We also contend that the cost of the storage space should not be used in the calculations because the building is allocated to us by the County and the cost will not be eliminated by the termination of the service.

We note that the difference between ordering copy paper directly from Office Depot and the in-house purchasing/distribution of copy paper will fluctuate from year to year along with any potential savings. It does, however, utilize team members whose positions perform other vital and necessary functions for the Clerk’s Office and the whole County. Paper deliveries are handled by Depot and Courier team members to locations they regularly deliver to in the performance of their duties. Therefore, the cost of the vehicle and man power would not be eliminated by discontinuing this service.

Inspector General Reply:

The calculation of costs was based on the Fiscal Year 2008-2009 data provided by the Print Shop management. Currently, elimination of the bulk paper purchase may not present significant savings. However, future plans for the Print Shop include relocation into a new facility. A truckload of copy paper requires a significant storage space; therefore, the Print Shop could downsize and would incur lower facility costs if the bulk paper purchasing was discontinued.

6. The Printing Services Webpage Needs To Be Improved.

The Printing Services website located on the County Intranet contains only basic information presented in a plain design. There are no samples of materials designed and printed by Printing Services. The website was designed years ago and never updated or upgraded. The Home Page appears as follows:
In order to attract and inform County customers, the Printing Services website should include:

- An updated list of all services performed by Printing Services.
- Material printing timelines.
- Samples of materials designed and produced by Printing Services.
- Product pricing.

The website is accessible on the County Intranet, and therefore, unavailable to potential external (other government entities) customers. Since Printing Services plans to expand its services to other governments, it should have the website accessible via the Internet.

The primary goal of the Printing Services webpage is to inform both internal and external customers about the services they offer by directing all potential customers to use their services. In order to attract customers, the website should clearly present all services offered.

**We Recommend** management:
A. Improve/upgrade the website to include all services provided, production timelines, and samples of the materials designed and printed at Printing Services.

B. Ensure the website is easily available on the Internet.

Management Response:

We agree with both recommendations. We have purchased and are in the process of implementing a new Print Shop Ordering System that has the capacity for web based ordering. We will have the Print Shop’s website loaded with information on the services we perform, the ability to place electronic print orders, receive a quick preliminary estimated cost, proof routine jobs for business cards and letterheads, and have it available to all our internal and external customers.

7. Management Should Assess Printing Demand And Make Appropriate Adjustments In Operations.

A. In May of 2007, the Clerk's Office spent $7,835.32 on 2,000 copies of "History of the Constitutional Officers of Pinellas County" booklets. The order was marked "Rush." As of July 2009, 1,300 booklets are still stored at the Printing Services’ warehouse, representing $5,093 spent on unnecessary printed copies.

The booklet was a combined effort of seven elected officials and the cost was to be divided between the officials. However, the Clerk's Office paid the final bill.
The booklet is currently outdated because it lists former elected officials who no longer hold Pinellas County offices. It appears that the need for the booklet was not carefully evaluated and the number of copies ordered was not appropriately estimated.

Additionally, there are more than 100 copies of the first edition of this booklet published in 1996 still stored in the file cabinet at Printing Services.

Quantities of publications ordered should be reasonable as it relates to anticipated distribution.

B. Printing Services may possibly be losing income because it is not producing marketing materials (pens, magnets, etc.) for the County departments.

County departments spend thousands of dollars ($14,136 in Fiscal Year 2007/2008 and $5,036 until May of 2009) ordering a variety of marketing items from outside vendors. It is good business practice to research possibilities of expanding the services offered to bring more revenue. Printing Services' management should further investigate marketing gadgets/materials ordered by County departments at a variety of vendors and research if purchasing appropriate machinery and producing such items would be feasible and result in savings to the County.

We recommend:

A. The Clerk's Office carefully evaluate its future needs for publications.

B. Printing Services' management evaluate the feasibility of exploring new revenue streams including producing marketing items (pens, magnets, etc.) in an effort to
increase Printing Services’ income and help the County cut the costs of marketing materials.

Management Response:

A. We disagree with this recommendation. This issue has more to do with our printing customers and their ability to forecast the quantities required to fulfill their needs. We can ask the customers about the quantity of the materials they order; however, it is the decision of the customers to determine their own needs. We will contact Heritage Village and local libraries to determine if they would be interested in having some of these books.

B. We agree in part. We have researched on-line for the equipment to provide this service and have found a couple of sources. The equipment to print on marketing items, called an “Imprinter,” would cost approximately $5,000 for a one-color process and an additional color can more than double the cost of the equipment. There is a range of different models/costs; however, this model should meet the County’s needs, although more research is needed to determine the exact volume of marketing items. The marketing items themselves, pens, sports bottles, lunch boxes, coffee mugs, and koozies, have a large range of costs for blank items to print on and a majority of the marketing items have over a 200% markup to buy them preprinted. The process to imprint marketing items, using the “Imprinter” equipment, is a manual process and it is a time intensive process. More information is needed to truly evaluate the cost effectiveness of imprinting marketing items in-house and that is something we will pursue in the future. From conversations with the County’s Communications Department, we have discovered that the County’s Departments’ demand for these marketing items has significantly dropped due to budgetary constraints and may not be cost effective to purchase equipment necessary to perform this function.

Inspector General Reply:

We appreciate management’s position; however, in the example cited, the Clerk’s Office ordered the booklets. Therefore, the Clerk’s Office should have had the final word on the size of the order.