



City of Albuquerque
Office of Internal Audit and Investigations
P.O. BOX 1293 ALBUQUERQUE, NEW MEXICO 87103

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Accountability in Government Oversight Committee
City of Albuquerque
Albuquerque, New Mexico

Audit: Contract with United Transmissions/BNT
03-105UNITED

FINAL

INTRODUCTION

The Office of Internal Audit and Investigations reviewed the City's contract with United Transmissions/BNT (United). The contract provides Auto/Off-Road Parts and Labor for various divisions and departments in the City. The Solid Waste Management Department (SWMD) and the Transit Department (Transit) are the main users of this contract. For fiscal year 2004, the City paid \$109,783 to United. The City has paid \$119,478 this fiscal year to United through February 16, 2005.

AUDIT OBJECTIVES

The objectives of our audit were to determine:

- Are the costs charged by United in compliance with established contract price agreements?
- Does United provide the records required to support the services provided to the City?
- Has United overcharged the City for services?

SCOPE

Our audit did not include an examination of all the functions, transactions and activities related to the management of the City's contract with United. We reviewed purchases made using contracts with United that were in effect from December 1, 1999 through January 31, 2005. We tested United

invoices paid by the City from June 2002 through August 2003. We completed our fieldwork on December 16, 2004.

This report reflects our examination of activities through the completion date of our fieldwork, and it does not reflect events after that date. The audit was conducted in accordance with Government Auditing Standards, except Standard 3.49, requiring an external quality control review.

METHODOLOGY

Our sample was judgmentally selected and included all invoices with a dollar amounts \$3,500 or greater for parts and labor on buses and refuse trucks. We examined a sample of 27 out of a population of 64 invoices. The total dollar amount of the sample was \$166,735 out of a total population cost of \$192,997, or approximately 86% of the dollar amount of the population.

This audit and its conclusions, is based on information provided through interviews, tests and reviews of current procedures.

FINDINGS

The following findings concern areas that we believe could be improved by the implementation of the related recommendations.

1. UNITED SHOULD KEEP SUPPORT DOCUMENTATION FOR CHARGES BILLED TO THE CITY.

United does not maintain a system to retain supporting documentation for charges billed to the City. United was unable to provide support for labor hours billed or parts prices used for City vehicles. In addition, United was unable to provide supplier invoices for many of the parts billed on City invoices.

The United contract states, "The contractor shall maintain detailed, complete, and accurate accounting records on the repair order basis and the hours of labor will be supported by individual daily job time cards." In addition, "The contractor may be required to furnish copies of parts invoices at any time during the term of this contact." United's mechanic shop does not use individual job cards, to track actual hours worked on each job. Mechanics clock in when they start work but do not keep records or track which vehicles or jobs they worked on.

The contract states that labor should be billed at the lower of the actual hours to complete the job, or the flat rate manual time. Instead of tracking actual time, United uses the Mitchell flat rate manual for billing on all repair jobs. Since actual hours by job are not tracked the

City is unable to determine whether it is being charged within the terms of the contract. The City may be over charged for repairs in cases where actual hours are less than the flat rate manual hours for the job.

RECOMMENDATION

United should maintain supporting documentation for all charges billed to the City. Under the terms of the current contract such documentation includes individual job cards for each project or work in process, documentation of actual hours worked on each individual job, and documentation of actual parts used from parts book with price listing.

RESPONSE FROM UNITED

“United has an uses the most current Allison Truck Transmission labor guide available to determine labor charges as for the contract requirement. The Mitchell Manuals are available for confirmation at any request. Confirmation of any newer Manuals may be checked at WWW.Mitchell.com, or if desired a call for verbal verification of no new iterations of Any Parts and Labor guides for large Trucks may be placed to: 1-888-724-6742 ext 6313. United Transmission is the Manufacturer for units sold to the City of Albuquerque, and has its own parts department. United Transmissions has three full time Allison transmission techs which work on multiple units throughout the day. They do not work on one unit at a time, making it difficult to track an individual time on each transmission. United will however, effective immediately, track each individual time on each Allison unit.”

2. UNITED SHOULD COMPLY WITH THE CONTRACT BY PROVIDING REQUIRED DETAILED INFORMATION ON INVOICES SUBMITTED TO THE CITY.

The contract states, “Invoices submitted for payment, must include, at minimum, the following information: work order number, dollar value, vehicle number, mileage reading, the date of service, make, model, and year of the vehicle and breakdown of cost. Each invoice shall list separately: (1) cost of labor (number of hours or fraction thereof), in accordance with appropriate flat rate manual (Shop Time), (2) listing of parts, and list price less discount. If you do not include this information payment may be delayed.” United was not in compliance with this contract requirement.

None of the invoices in our sample showed the detail list price less the percentage discount on parts. Many of the invoices did not provide the detailed vehicle information required or

labor hours billed.

In many cases the City has no means of checking the accuracy of prices or the discounts applied. Without the required vehicle information the City has no record or audit trail for vehicle repairs.

RECOMMENDATION

United should submit invoices for payment with all information required by the terms of the contract.

RESPONSE FROM UNITED

“United Transmission invoices to the City will include all requested information, as per the contract terms. United’s invoices will include the 20% discount shown on the invoice, rather than taken out previous to marking on the ticket. United’s Invoices will also include labor hours as per the contract.”

3. UNITED SHOULD PROVIDE PRICE LISTS TO THE CITY UPON REQUEST.

The contract states: “Upon request, price lists must be furnished to the following Departments/Divisions: Purchasing, Accounting, Fleet Management, General Services, Solid Waste Department, Fire Department, Transit Department...” “List price shall be defined as that published in the manufacturers latest national standard printed price list and so recognized by the trade.” United was unable to provide price lists for parts during the audit. United was also unable to provide price books to SWMD personnel upon request.

United does not keep parts price lists. According to United, “list price” is approximately two and a half times his cost. The discount is calculated after the list price is determined. However, according to United, in order to remain competitive, the discount is sometimes greater than the stated amount in the contract. The contract states that “list price” shall be defined as the price published in the manufacturer’s latest national standard printed price list and so recognized by the trade.

Under this pricing system, there is no way of determining whether or not the discounts comply with the contract.

RECOMMENDATION

United should provide parts price lists to the City upon request.

United should bill parts as agreed upon in the contract.

RESPONSE FROM UNITED

“United will provide, at the request of the City, a price list of parts used, including list prices, as per the contract.”

GENERAL COMMENT FROM UNITED

“In response to your results of the audit investigation, United will do any and all requests as per our contract. United has tried to interpret the contract, as well as requests of City of Albuquerque Department Heads and Managers, to provide the best and fairest service possible. As a result, we at United feel we have been put in a position of trying to compromise to find the best results to satisfy the City of Albuquerque and its employees. We do not mind doing this, however the result appears to put us in a negative status with the City of Albuquerque Bookkeeping Dept. We, at United, therefore agree with the Audit Dept. that the only viable solution would be to adhere to the contract and its terms. We will of course comply with the requests of the audit to the full extent we are capable. United does not see any evidence of overcharging the City of Albuquerque on its invoices, an always strives to maintain honest and fair business practices.”

CONCLUSION

United Transmissions should comply with the terms of established contracts with the City.

We appreciate the assistance and cooperation of United Transmission management and staff during the audit.

Senior Auditor

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APPROVED FOR PUBLICATION:

Chairman, Accountability in Government
Oversight Committee

VENDOR AUDIT REPORT
OF
UNITED TRANSMISSIONS/BNT

REPORT NO. 03-105UNITED



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