



October 26, 2016

Performance Audit

**Advantage Barricade & RoadMarks, LLC
(City Report)**

Citywide

Report No. 16-102



**CITY OF ALBUQUERQUE
OFFICE OF INTERNAL AUDIT**

PERFORMANCE AUDIT REPORT
ADVANTAGE BARRICADE & ROADMARKS, LLC
CITYWIDE
REPORT NO. 16-102

TABLE OF CONTENTS

	<u>PAGE NO.</u>
Executive Summary	i
Introduction	1
Findings:	
1. The CAO Should Remind User Departments to Properly Monitor Contracts when using a Citywide Contract.	2
2. City Contracts Should Include Rates for Chargeable Items.	4
3. City User Departments Should Ensure that Work Orders are Issued For Barricading Services.	6
Conclusion	8
Appendix A – Objectives, Scope, and Methodology	10

City of Albuquerque - Office of Internal Audit

Advantage Barricade & RoadMarks, LLC

Performance Audit

10/26/2016

Audit #16-102 (City Report)

The purpose of this audit was to review and report on the accuracy of vendor billing rates and to confirm that vendor personnel are certified. Vendor audits are included on the fiscal year (FY) 2016 audit plan.

Executive Summary

The City requires barricading services for a number of reasons, including traffic control, street maintenance, sidewalk construction, and park maintenance. Contract compliance issues were noted during the audit.

City departments receiving barricading services from Advantage Barricade are not effectively monitoring the citywide contract. Due to ineffective contract monitoring, overcharges totaling \$652.93 existed and remained unnoticed, while a weekly contract reporting requirement was not enforced.

The City's contract with Advantage Barricade does not specifically address charges for delivery, add-on delivery, partial pick-up and complete pick-up of barricade equipment.

City departments using barricading services are out of compliance with the contract regarding the use of work orders. The Department of Municipal Development does not issue work orders for barricading services, as required by the contract; while the Parks & Recreation Department does not consistently provide the vendor with work order numbers.

The CAO and City departments accepted the findings and agreed to implement the recommendations.

Effective contract monitoring is important for ensuring contractual compliance. City user departments need to be educated about what effective contract monitoring involves, and be reminded that when using citywide contracts, monitoring of these contracts should also be completed. To ensure compliance, user departments should become familiar with specific contract requirements.

Recommendations

•••

- The CAO should instruct the Department of Finance & Administrative Services (DFAS) to request a refund from the vendor for the \$652.93 overcharge.
- The CAO should emphasize to all user departments the importance of effective contract monitoring. Contract monitoring includes:
 - Verification of billed rates,
 - Awareness of contract requirements, and
 - Holding the vendor accountable when errors occur.
- DFAS should specifically address charges for delivery, add-on delivery, partial pick-up and complete pick-up in future barricading contracts, and issue a Purchase Order Adjustment to add the excluded charges to the current contract.
- City departments requesting barricading services should ensure that they issue work orders for all on-call barricading services.



City of Albuquerque

Office of Internal Audit

October 26, 2016

Accountability in Government Oversight Committee
P.O. Box 1293
Albuquerque, New Mexico 87103

Audit: Advantage Barricade & RoadMarks, LLC (City Report)
Citywide
Audit No. 16-102

FINAL

INTRODUCTION

The Office of Internal Audit (OIA) conducted a performance audit of the citywide contract with Advantage Barricade & RoadMarks, LLC (Advantage Barricade). Vendor audits are included in OIA's fiscal year 2016 audit plan, and Advantage Barricade was one of the vendors selected. Information pertaining to the audit objectives, scope and methodology can be found in **Appendix A**.

On July 29, 2015, the City entered into a citywide contract with Advantage Barricade for on-call barricade services. The contract is for a 2-year term, with the option to extend for an additional 2-year period, or any part thereof, by mutual agreement.

The City requires barricading services for a number of reasons, including traffic control, street maintenance, sidewalk construction, and park maintenance. As more than one department may need barricading services, the contract with Advantage Barricade is considered a citywide contract. Over the 9-month audit period, the City paid Advantage Barricade approximately \$100,000 for barricading services.

Barricading services may be classified as either critical or non-critical. Critical services involve situations which present an immediate danger to the public, all pre-scheduled work requests with less than four hours' notification prior to set up, and all work orders for traffic control installations on major city streets. Non-critical services involve all special events and

barricading requests not on a major city street.

FINDINGS

The following findings address areas that OIA believes could be improved by the implementation of the related recommendations.

1. THE CAO SHOULD REMIND USER DEPARTMENTS TO PROPERLY MONITOR CONTRACTS WHEN USING A CITYWIDE CONTRACT.

City departments receiving barricading services from Advantage Barricade are not effectively monitoring the citywide contract. Due to ineffective contract monitoring, overcharges existed and remained unnoticed, while a weekly contract reporting requirement was not enforced.

Overcharges

The rate charged for "Critical Service, w/TCT [Traffic Control Technician] and Vehicle" was \$.70 higher than the approved contract rate of \$48.25. All of the invoices from a statistical random sample of 23 included charges for "Critical Service, w/ TCT and Vehicle" that were billed at the higher rate. OIA informed Advantage Barricade of the incorrect rate charges. Advantage Barricade reviewed its invoices, acknowledged and corrected the error, and calculated the total overcharge to be \$652.93.

Both the Parks & Recreation Department (PRD) Materials Manager and the Department of Municipal Development (DMD) Accounting Assistant stated that they had not verified the accuracy of the rates billed against the approved contract rates prior to authorizing payment. Not verifying the accuracy of the billed rates against the approved contract rates allowed recurring overcharges to occur and remain undetected.

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) developed the Internal Control-Integrated Framework (COSO Framework), to assist organizations in "designing, implementing, and conducting internal control and assessing the effectiveness of internal control." The COSO Framework has gained global acceptance and is considered best practices for internal controls. Principle 10 of the COSO Framework, states that the organization should select and develop control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels. Verifications are control activities that "compare two or more items with each other or compare an item with a policy, and perform a follow-up action when the two items do not match or the item is not consistent with policy. Verifications generally address the completeness, accuracy, or validity of processing transactions."

Contract Reporting Requirement

Section 1.12 Operational Requirements of the contract's Scope of Service states:

By 12:00 pm (noon) on Monday, or the next workday after a Monday Holiday, the Contractor shall email an electronic data file in Excel format containing the invoice information for the previous week's activities to each user contact. The data file shall include, but not be limited to the following information:

- PeopleSoft 311CRM Case Number/Work Order Number,
- Project Location,
- Barricade actions (deliver, set-off, pick-up, and any maintenance activity performed in prior week, etc.),
- Listing of all standard and requested maintenance activities,
- Number of barricades by barricade type,
- Cost of this project for the time period,
- City entity for invoicing, and
- Any credits due City for late or non-performance.

Citywide contracts (contracts involving more than one City department) are not "owned" by any one department. Due to a lack of assigned ownership, these contracts are not centrally monitored or enforced. Both PRD and DMD use the contract; however, neither department was aware of the weekly billing requirement.

Without contract monitoring, City departments were not aware of certain contract requirements and did not receive beneficial information to assist with managing barricading projects.

RECOMMENDATIONS:

The CAO should:

- Emphasize to all user departments during the Director's Meeting the importance of effective contract monitoring. Contract monitoring includes:
 - Verification of billed rates, prior to authorizing payment,
 - Awareness of contract requirements,
 - Holding the vendor accountable when errors occur.
- Instruct the Department of Finance & Administrative Services to request a refund from Advantage Barricade for the \$652.93 overcharge.

RESPONSE FROM THE CAO

“The CAO will emphasize at the next Directors Meeting, to all user departments the importance of effective contract monitoring. Contract monitoring includes:

- *Verification of billed rates*
- *Awareness of contract requirements and*
- *Holding the vendor accountable when errors occur.”*

“The CAO will instruct the Department of Finance & Administrative Services (DFAS) to request a refund from the vendor for \$652.93 overage.”

ESTIMATED COMPLETION DATES

“Two weeks from the date Audit No. 16-102 is finalized.”

2. CITY CONTRACTS SHOULD INCLUDE RATES FOR CHARGEABLE ITEMS.

The City's contract with Advantage Barricade does not specifically address charges for delivery, add-on delivery, partial pick-up and complete pick-up of barricade equipment. The absence of detailed billing information has allowed unrelated hourly charges to be substituted.

Advantage Barricade charges for one hour at the "Critical Service with TCT and Vehicle" rate for initial delivery, add-on delivery, partial pick-up, complete pick-up, and any man hours associated with the barricading project. This billing structure may result in duplicate charges of time, as the “Critical Service with TCT and Vehicle” code is the rate per man hour.

For example, invoice #66687 includes three charges for "Critical Service, with TCT and Vehicle". According to Advantage Barricade's corresponding work order, the three charges were for:

- Barricade delivery,
- One man hour of work, and
- Complete pick-up of the barricades.

The total project was completed within 1.25 hours, but the City was billed the equivalent of 3 man hours, and is illustrated in the chart below.

Substituted Charges for Invoice #66687

Invoice Detail		Description per Advantage Barricade Work Order	Hourly Rate Charged	Total Charge
Description	Quantity			
Critical Service with TCT and Vehicle	2	Delivery/Complete Pick-up (.25 man hours)	\$48.95	\$97.90
Critical Service with TCT and Vehicle	1	1 Man Hour	\$48.95	\$48.95
	3	Total Charge		\$146.85

Source: Advantage Barricade invoice and corresponding work order

Contracts should be complete and specifically address all billable charges so that each contracting party understands and can fulfill the contract billing requirements. Since this is a citywide contract and there is an absence of assigned ownership, various charges had been overlooked and omitted in the original Request for Bid. Without specific charges for each service, the City cannot verify the charges contained on each invoice.

RECOMMENDATIONS:

DFAS should:

- Issue a Purchase Order Adjustment to include the various delivery and pick-up charges, and
- Specifically address charges for delivery, add-on delivery, partial pick-up and complete pick-up in future barricading contracts.

RESPONSE FROM DFAS

“DFAS, Purchasing Division will ensure that a Purchase Order Adjustment is issued, that it will include various delivery and pick-up charges, and that it will specifically address charges for delivery, add-on delivery, partial pick-up and complete pick-up in future barricading contracts.”

ESTIMATED COMPLETION DATES

“Two weeks from the date Audit No. 16-102 is finalized.”

3. CITY USER DEPARTMENTS SHOULD ENSURE THAT WORK ORDERS ARE ISSUED FOR BARRICADING SERVICES.

City departments using barricading services are out of compliance with the contract. According to the contract's Scope of Services, Section 1.5 Work Orders, "The City shall make all barricade action requests with a reference Work Order. The Contractor shall utilize the work order number in all communication and invoicing with the City."

DMD does not issue work orders for handling on-call barricading services and is unable to provide Advantage Barricade with a work order number. PRD, however, uses work orders internally to track barricading projects, but may not always provide the work order number to Advantage Barricade. From the statistical random sample of 23 invoices selected for review, seven belonged to PRD. Only one of the seven invoices referenced PRD's assigned work order number.

The PRD Materials Manager stated that Advantage Barricade does not always include the work order number on invoices. According to the Advantage Barricade General Manager, any number provided by a City department will be referenced on the invoice.

By not issuing work orders, the City departments are unable to provide Advantage Barricade with a unique work order number for each barricading project request. Without the City departments providing work order numbers, Advantage Barricade is unable to reference the number on its invoices, which may complicate tracking and payment of each project.

RECOMMENDATIONS:

DMD should issue work order numbers for each barricading request and provide them to Advantage Barricade.

PRD should provide Advantage Barricade with a corresponding work order number for each barricade service request.

RESPONSE FROM DMD

"DMD/Street/Storm will request work order numbers generated by CRM (311)/Streets for each barricade request. The Work Order/311 number will be included on the invoice from the barricade vendor. Today, the invoice

simply shows the supervisor who called in the barricades. DMD/Street/Storm will verify each invoice to be sure the charges are in line with the current contract prices.”

ESTIMATED COMPLETION DATES

“Two weeks from the date Audit No. 16-102 is finalized.”

RESPONSE FROM PRD

“A CRO/POR number is issued at the beginning of each month, requests for service are made to the Park Management clerical staff by the area supervisor, or maintenance employees in the field as circumstances dictate. The request is logged on a spreadsheet for reconciliation with the invoice. The number of barricades, or the flagging required, is ordered based on site needs. A project management (PM) number is issued for each request made. Staff notifies the barricading company of the request and the process requires that the PM number be conveyed at that time. When barricades are no longer needed it is the Supervisor’s responsibility to notify the Material Manager or clerical staff to have the barricading company pick of the material used and it is the Supervisor’s responsibility to ensure that action happens timely.”

ESTIMATED COMPLETION DATES

“Two weeks from the date Audit No. 16-102 is finalized.”

CONCLUSION

Effective contract monitoring is important for ensuring contractual compliance. City user departments need to be educated about what effective contract monitoring involves, and be reminded that when using citywide contracts, monitoring of these contracts should also be completed. To ensure compliance, user departments should become familiar with and enforce specific contract requirements.

We greatly appreciate the assistance of the various City departments that participated throughout this audit, as well as, the involvement and cooperation of Advantage Barricade.

Contract Auditor

REVIEWED & APPROVED:

APPROVED FOR PUBLICATION:

Lawrence L. Davis, Acting Director
Office of Internal Audit

Chairperson, Accountability in
Government Oversight Committee

APPENDIX A

OBJECTIVE

The audit objectives were to determine:

1. Are the vendor billings accurate and in conformance with the contract rates?
2. Is Advantage Barricade & RoadMarks, LLC (Advantage Barricade) ensuring that service personnel are certified as Traffic Control Supervisors or Traffic Control Technicians?

SCOPE

Our audit did not include an examination of all functions and activities related to barricading services. Our scope was limited to the objectives above.

This report and its conclusions are based on information taken from a sample of transactions and do not represent an examination of all related transactions and activities. The audit report is based on our examination of activities through the completion of fieldwork on June 10, 2016 and does not reflect events or accounting entries after that date.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

METHODOLOGY

Methodologies used to accomplish the audit objectives include but are not limited to the following.

- Reviewed the contract and scope of service,
- Determined the population of paid invoices during the audit period,
- Generated a statistical, random sample using “The Number” sampling software to provide a 90 percent confidence level,
- Applied the statistical random sample generated to the total population of paid invoices to determine the sample,
- Compared approved contract rates to billed rates,

- Tested mathematical accuracy of sampled invoices,
- Interviewed key employees from City departments that used barricading services from Advantage Barricade,
- Documented the departments' processes for receiving and approving vendor invoices for payment,
- Interviewed key employees from Advantage Barricade,
- Obtained copies of work orders from Advantage Barricade,
- Confirmed current certifications of Advantage Barricade employees, and
- Other methodologies as needed.