

VENDOR AUDIT - PARSONS BRINKERHOFF

REPORT NO. 07-110 - City



**CITY OF ALBUQUERQUE
OFFICE OF INTERNAL AUDIT AND INVESTIGATIONS**

Vendor Audit – Parsons Brinkerhoff
Report No. 07-110 - City
Executive Summary

Background: The Office of Internal Audit and Investigations (OIAI) conducted a vendor audit of Parsons Brinkerhoff (Parsons), an engineering consulting firm used by the City of Albuquerque (City) ABQ Ride Department (ABQ Ride). The audit was requested by ABQ Ride management.

Parsons provided consulting services to ABQ Ride for a High Capacity Transportation System (HCTS) study. This study was paid for with grant monies from the Federal Transit Administration (FTA) and matching City funds. The original Engineering Services Agreement (ESA) was issued to Parsons in May 1999 for \$417,300. Four supplemental agreements and 12 additional services authorizations increased the amount of the contract to \$4,603,868 (excluding gross receipts tax). As of February 2006, the City had paid Parsons \$4,729,211.

Objectives: Did Parsons perform and complete the work scope deliverables specified in the ESA?

Did Parsons have an accurate percentage of completion process to ensure it correctly billed the City?

Did ABQ Ride monitor the invoices submitted by Parsons to verify the propriety of the billings? Did ABQ Ride ensure that the work product deliverables required by the ESA were completed before it paid for them?

- The Task # 7 deliverable of the Fourth Supplemental Agreement (4th SA) to the original ESA stated that Parsons would prepare an Environmental Impact Statement and related elements for a HCTS in the Central Avenue Corridor for a lump sum fee of \$455,862. Parsons never completed the Environmental Impact Statement, but billed ABQ Ride \$387,483 (85%) of the lump sum fee, which ABQ Ride approved for payment.
- The Task # 10 deliverable of the 4th SA stated that Parsons would prepare a New Starts Application including supporting worksheets and documents for a lump sum fee of \$51,143. The City later decided not to pursue the New Starts grant and did not need the application. Parsons never prepared the New Starts Application but billed ABQ Ride \$51,143 (100%) of the lump sum fee. ABQ Ride approved payment for the New Starts Application.
- Task # 4 deliverable of the ESA stated that Parsons would prepare a 20-30 year HCTS plan for a lump sum fee of \$207,500. Parsons had billed 100 percent of the \$207,500 total amount for this task as of

December 2000. However, Parsons did not submit the final plan to the City until April 2001.

Recommendations: ABQ Ride should:

- Ensure services provided by consultants are performed prior to approving payment.
- Review contractor billings thoroughly for estimated percentage of completion. This process should be documented.
- Request repayment from Parsons for scope deliverables that were not completed.

Objective: Was work performed outside the scope of the ESA?

ABQ Ride allowed Parsons to perform approximately \$65,000 of additional work that was outside the scope of the ESA.

An additional task, # 11 - Sub-consultants, in the amount of \$478,870 was added to a Parsons' invoices for the 4th SA. Task number 11 was not included in the 4th SA. Parsons did not bill the City according to the terms of the agreement. The funding for this additional task was obtained by reducing the amounts of seven of the original ten tasks. The 4th SA was verbally modified without written consent, as required by the ESA.

Recommendations: ABQ Ride should ensure that:

- All work performed by consultants is within the scope of the agreement.
- Modifications or amendments to agreements are documented and properly approved.

During our fieldwork, we noted no exceptions for the following objective:

- Did ABQ Ride verify that the services provided by Parsons related to the authorized purpose of the FTA grant and related City matching funds?

Management responses are included in the audit report.



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

July 30, 2008

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

Audit: Vendor Audit – Parsons Brinkerhoff
07-110 - City

FINAL

INTRODUCTION

The Office of Internal Audit and Investigations (OIAI) conducted a vendor audit of Parsons Brinkerhoff (Parsons), an engineering consulting firm used by the City of Albuquerque (City) ABQ Ride Department (ABQ Ride). The audit was requested by ABQ Ride management.

Parsons provided consulting services to ABQ Ride for a High Capacity Transportation System (HCTS) study. This study was paid for with grant monies from the Federal Transit Administration (FTA) and matching City funds. The original Engineering Services Agreement (ESA) was issued to Parsons in May 1999 for \$417,300. Four supplemental agreements and 12 additional services authorizations increased the amount of the ESA to \$4,603,868 (excluding gross receipts tax).

As of February 2006, the City had paid Parsons \$4,729,211 under this ESA. In April 2006, Parsons submitted a final invoice to the City for \$118,882, which indicated that all of the work had been 100% completed. This invoice was then withdrawn by Parsons in November 2006, when ABQ Ride requested itemized support for a portion of the bill. As of June 2008, ABQ Ride reports no further action has been taken.

AUDIT OBJECTIVES

The objectives of the audit were to determine:

- Did Parsons perform and complete the work scope deliverables specified in the ESA?

- Did Parsons have an accurate percentage of completion process to ensure it correctly billed the City?
- Did ABQ Ride monitor the invoices submitted by Parsons to verify the propriety of the billings? Did ABQ Ride ensure that the work product deliverables required by the ESA were completed before it paid for them?
- Did ABQ Ride verify the services provided by Parsons related to the authorized purpose of the FTA grant and related City matching funds?
- Was work performed outside the scope of the ESA?

SCOPE

Our audit did not include an examination of all the functions, transactions and activities related to the ESA. Our scope was for the period from the origination of the ESA in 1999 through the final billing in April 2006.

This report and its conclusions are based on information taken from a sample of transactions and do not intend to represent an examination of all related transactions and activities. The audit report is based on our examination of activities through the completion of fieldwork, July 20, 2007, 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

OIAI interviewed City and Parsons personnel who administered the ESA. Documents and processes reviewed included the following:

- ESA between the City and Parsons
- Work product deliverables received by ABQ Ride
- Invoices paid by the City
- Supplemental agreements
- Additional service authorizations

FINDINGS

The following findings concern areas that we believe would be improved by the implementation of the related recommendations. These findings relate to the City's administration of the ESA. A separate report with recommendations has been issued to Parsons.

1. ABQ RIDE SHOULD ENSURE THAT SERVICES PROVIDED BY CONSULTANTS ARE PERFORMED PRIOR TO APPROVING PAYMENT.

Administrative Instruction No. 3-4: Vendor Performance Evaluation requires the receiving department to inspect work performed on behalf of the City to ensure that it is being completed in accordance with contractual commitments.

The ESA states that:

- Parsons shall submit monthly statements to the City for services performed.
- The statements will be based upon Parsons' estimate of the proportion of total services actually completed at the time of billing for each task [percentage of completion billing method.]

A. Environmental Impact Statement

There were ten tasks in the Fourth Supplemental Agreement (4th SA) to the original ESA. Task # 7 deliverable of the 4th SA stated that Parsons would prepare an Environmental Impact Statement and related elements for a HCTS in the Central Avenue Corridor for a lump sum fee of \$455,862. An Environmental Impact Statement is a document that is required to be prepared and submitted to the federal government prior to the initiation of a project that affects quality of life.

Parsons never prepared the Environmental Impact Statement, but billed ABQ Ride \$387,483 (85%) of the lump sum fee, which ABQ Ride approved for payment. Parsons later billed ABQ Ride \$68,379 (15%) as part of the final invoice in November 2006, but ABQ Ride refused to pay the final bill.

Current ABQ Ride management could not explain why the project manager approved the \$387,483 invoice for payment. ABQ Ride paid for an Environmental Impact Statement that was never prepared. ABQ Ride paid for services not received.

B. New Starts Application

The Task # 10 deliverable of the 4th SA stated that Parsons would prepare a New Starts Application including supporting worksheets and documents for a lump sum fee of \$51,143. The New Starts program is the federal government's primary financial resource

for supporting locally-planned, implemented, and operated transit "guideway" capital investments.

The City later decided not to pursue the New Starts grant and did not need the application. Parsons never prepared the New Starts Application, but billed ABQ Ride \$51,143 (100%) of the lump sum fee.

Current ABQ Ride management could not explain why payment was approved by the project manager for a New Starts Application that was never completed. ABQ Ride paid for services not received.

C. HCTS Plan

Task # 4 of the ESA stated that Parsons would prepare a 20-30 year HCTS plan for a lump sum fee of \$207,500. Parsons completed billing the City 100 percent of the \$207,500 total amount for this task by December 2000. However, Parsons did not submit the final plan to the City until April 2001.

Current ABQ Ride management could not explain why the final HCTS plan was not submitted until four months after the City was billed. ABQ Ride paid for services before they were completed.

ABQ Ride did not effectively monitor the percentage of completion of the above tasks.

RECOMMENDATION

ABQ Ride should:

- Ensure services provided by consultants are performed prior to approving payment.
- Review contractor billings thoroughly for estimated percentage of completion. This process should be documented.
- Request repayment from Parsons for scope deliverables that were not completed.

RESPONSE FROM ABQ RIDE

“A. Environmental Impact Statement: At the time the ESA was entered into, the City contemplated Federal funding for the project. The City, post-9/11/01, determined that Federal monies for mass transit projects had been reallocated and ultimately chose not to pursue limited Federal funding. Without a Federal funding source, the environmental

impact statement could not be completed and therefore, it was not possible for Parsons to complete the work. The City has entered into a Fifth Supplemental Agreement to the ESA. Parsons completed all the component portions that would be necessary for the completion of the Environmental Impact Statement. The work completed is 85% of the lump sum fee for Task VII of Supplement 4. Parsons remains contractually committed to complete the Environmental Impact Statement for the remaining \$68,379.00 in the event the City determines it wishes to pursue Federal funding for a mass transit project.

“B. New Starts Application: The City concurs that this work (Task X of Supplement 4) was not done and the administration will seek to recover the \$51,143.00 erroneously paid to Parsons.

“C. HCTS Plan: The City agrees that this work (Task 4 of Additional Service Authorization 12) was completed and was billed for in December 2000. The final plan was not submitted to the City until April 2001. The City will review billings and insure that work is completed prior to time of payment.”

AUDITOR’S COMMENT

Although the City chose not to pursue federal funding for the construction of the mass transit project, it had already received the federal funding to pay for the completion of the environmental impact statement (EIS).

It is unclear that Parsons has completed all the component portions. The City does not receive 85% of the work without a completed EIS.

2. ABQ RIDE SHOULD ENSURE THAT ALL WORK PERFORMED BY CONSULTANTS IS WITHIN THE SCOPE OF THE AGREEMENT.

The ESA stated that it represented the entire contract between the City and Parsons, and it may not be amended, changed, modified, or altered without the written consent of both parties.

Administrative Instruction No. 3-7: Payments to Vendors Doing Business with the City, requires that operating departments ensure that goods or services are not acquired before a purchase order or contract is finalized.

A. Work Outside ESA Scope

ABQ Ride allowed Parsons to perform approximately \$65,000 of additional work that was outside the scope of the ESA including:

- String of Pearls and Airport Connection, which was a concept to provide transit service to connect various cultural venues in the City.
- Scoping and Planning of the Rapid Ride System Transition Project.
- Evaluation of Bus Routes for the Short Range Transit Plan and Service Changes involving the use of the Montano River Crossing.
- Video for the Mayor for the 2006 Legislative Session.

The City did not directly pay for these items. The ABQ Ride project manager stated he waited for Parsons to amend the ESA and add the additional four items. Parsons believed that it was being compensated for this work in exchange for the EIS and the NSA that it did not prepare. No amendments were made to the ESA for this additional work.

B. Changes to 4th SA

The September 30, 2003 Parsons invoice included an additional task, #11 Sub-consultants, in the amount of \$478,870 which had not been part of the 4th SA. ABQ Ride did not amend the 4th SA for the additional task because the project manager waited for Parsons to make the suggested changes. However, Parsons never submitted the written amendments. The funding for this additional task was obtained by reducing the amounts of seven of the original ten tasks and allocating this amount to Task #11:

Task	Amount per 4th SA	Adjusted Amount per Parsons' Invoice	Amount Applied to Task # 11
# 2 Conceptual Engineering	\$ 545,776	\$ 364,906	\$ 180,870
# 3 Travel Demand Model	95,421	80,421	15,000
# 4 Station Area Planning	268,903	228,903	40,000
# 5 Service and Facility Plan	126,986	76,986	50,000
# 6 Agency Coordination	411,455	368,455	43,000
# 7 Draft EIS	500,862	455,862	45,000
# 8 Financial Assessment	134,100	29,100	105,000
Total	\$ 2,083,503	\$ 1,604,633	\$ 478,870

The 4th SA was verbally modified without written consent.

RECOMMENDATION

ABQ Ride should ensure that:

- All work performed by consultants is within the scope of the agreement.
- Modifications or amendments to agreements are documented and properly approved.

RESPONSE FROM ABQ RIDE

***“A. Work Outside ESA Scope: The four tasks that are noted to be outside the scope of the ESA were performed by Parsons at the verbal request of the City. The Fifth Supplement incorporates the contractual requirement for performance of those services (Task XI Exhibit VI) by Parsons and allocates \$66,768.00 for those services which were requested and performed. The City will endeavor to initiate contractual modifications in a timely manner to correctly document changes in service requested by the City and performed by the consultant.*”**

***“B. Task II Sub-consultants: Parsons erroneously included billing for sub-consultants for portions of tasks 1 through 8 as Task 11 which was not included in the Fourth Supplement. The work was authorized in Tasks 1 through 8 and completed correctly. The City will examine future billing and ensure that work completed is correctly allocated to the proper task.”*”**

AUDITOR’S COMMENT

A. These four tasks were performed during the period from late 2002 through February 2006. However, the agreement that the City and Parsons executed to authorize these tasks was done in July 2008.

B. Task 7, the EIS, was not completed.

CONCLUSION

ABQ Ride should properly administer contracts and grants. OIAI believes that the overall recommendations will strengthen ABQ Ride’s contract administration.

We appreciate the assistance and cooperation of ABQ Ride personnel during the audit.

Principal Auditor

REVIEWED:

Audit Manager

Internal Auditor

APPROVED:

APPROVED FOR PUBLICATION:

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