

**VENDOR AUDIT - PARSONS BRINKERHOFF**

**REPORT NO. 07-110 - Parsons**



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

Vendor Audit – Parsons Brinkerhoff  
Report No. 07-110 - Parsons  
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 (4<sup>th</sup> 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 4<sup>th</sup> 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:** Parsons should:

- Ensure that contractually required services are performed prior to billing the City.
- Refund the City for services 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 4<sup>th</sup> SA. Task number 11 was not included in the 4<sup>th</sup> 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 4<sup>th</sup> SA was verbally modified without written consent, as required by the ESA.

**Recommendation:** Parsons should only perform additional work when required amendments or modifications have been issued.

**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?

Parsons billed \$11,044 of video production costs under the travel reimbursement line item. The video production costs line item had already been billed 100 percent; however, the travel reimbursement costs line item had funds remaining. This amount was part of a final billing which was subsequently withdrawn by Parsons. As of June 2008, no further action has been taken.

**Recommendation:** Parsons should bill costs under the correct line item.

**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 - Parsons

## **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 contract 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 that 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 Parsons' administration of the ESA. A separate report with recommendations has been issued to the City.

1. PARSONS SHOULD ENSURE THAT CONTRACTUALLY REQUIRED SERVICES ARE PERFORMED PRIOR TO BILLING THE CITY.

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 (4<sup>th</sup> SA) to the original ESA. Task # 7 deliverable of the 4<sup>th</sup> 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. Parsons billed the City for services which were not completed.

*B. New Starts Application*

The Task # 10 deliverable of the 4<sup>th</sup> 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. Parsons billed the City for services which were not completed.

*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. Parsons billed the City for services before they were completed.

RECOMMENDATION

Parsons should:

- Ensure that contractually required services are performed prior to billing the City.
- Refund the City for services that were not completed.

RESPONSE FROM PARSONS

***“A. Environmental Impact Statement: PB has delivered the component documents necessary to produce the Environmental Impact Statement in accordance with the FTA New Starts federal funding program. The costs associated to produce these documents were 85% of the budgeted amount for this task. With the City’s direction to cease pursuing the FTA New Starts program as intended in the Fourth Supplement, PB has entered into a Fifth Supplement. This will preserve the remaining 15% of the budget to incorporate the previously developed component documents into an EIS in accordance with a new funding source, as directed by the City.*”**

***“B. New Starts Application: Shortly after PB began the FTA New Starts application process, the City decided not to pursue the program further. This left funds available for the City’s use. PB performed and invoiced for additional work as described in Audit Item 2A below as directed by the City Project Manager. However, PB did not follow proper accounting procedures by developing the proper supplemental agreement in order to invoice for said work. As a result, PB will credit the City the full amount (\$51,143) for this task.*”**

***“C. HCTS Plan: When the HCTS Plan was submitted in 2000, PB assumed the product was final, and invoiced accordingly. However, the City’s review of the plan produced enough comments to warrant another iteration of the plan. It took PB several months and several meetings to ensure the final plan met the City’s needs. As a result, PB should have withdrawn the December 2000 invoice and resubmitted the invoice once PB received*”**

***acceptance by the City. PB will make sure that acceptance of a final product by the client is obtained prior to submitting invoices in the future.”***

2. PARSONS SHOULD ONLY PERFORM ADDITIONAL WORK WHEN REQUIRED AMENDMENTS OR MODIFICATIONS HAVE BEEN ISSUED.

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

*A. Work outside ESA scope*

Parsons performed 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 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 4<sup>th</sup> 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 4<sup>th</sup> SA. ABQ Ride did not amend the 4<sup>th</sup> 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 original task was obtained by reducing the amounts of seven of the original ten tasks and allocating this amount to Task #11:

Task	Amount per 4 <sup>th</sup> 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
<b>Total</b>	<b>\$ 2,083,503</b>	<b>\$ 1,604,633</b>	<b>\$ 478,870</b>

The 4<sup>th</sup> SA was verbally modified without written consent.

RECOMMENDATION

Parsons should only perform additional work when required amendments or modifications have been issued.

RESPONSE FROM PARSONS

***“A. Work Outside ESA Scope: PB has entered into a Fifth Supplement to properly invoice for City requested out of scope work. This work was improperly invoiced as described in Audit Item B above. PB will make sure that proper accounting and contractual procedures are followed, and not verbal direction, in the future when out of scope or additional work is requested by their clients.***

***B. Task II Sub-consultants: The efforts contained in Tasks 1 through 8 of the Fourth Supplement included work to be performed by subconsultants. As a matter of internal convenience to track subconsultant costs, PB invoiced subconsultants under a Task 11 as described in the audit. The term “Task” was used or improperly applied by PB for those accounting purposes. With the Fifth Supplement executed, PB will substitute the term “Task 11”, with “Third Party Service”, in accordance with the Agreement.”***

AUDITOR’S COMMENT

The Fifth Supplement the City and Parsons executed to authorize these tasks was done in July 2008.

3. PARSONS SHOULD BILL COSTS UNDER THE CORRECT LINE ITEM.

During the review of supporting documentation of the final Parsons invoice for \$118,822 in April 2006, OIAI noted that \$11,044 was for video production costs. On the invoice this amount is listed as travel reimbursement costs. The ESA's line item amount for video production costs had already been billed 100 percent prior to the April 2006 invoice. The travel reimbursement costs line item had funds remaining. Parsons billed the City for services in which there was not remaining authorized funding.

Parsons determined that there was an error in the preparation of the invoice and withdrew it in November 2006. As of June 2008, ABQ Ride reports no further action has been taken.

RECOMMENDATION

Parsons should bill costs under the correct line item.

RESPONSE FROM PARSONS

***“PB has entered into a Fifth Supplement to properly invoice the video production costs under the correct line items. This work was improperly invoiced as described in Audit Item 3, and will be credited to the Fifth Supplement. PB will make sure that proper accounting and contractual procedures are followed, and not verbal direction, in the future when out of scope or additional work is requested by their clients.”***

CONCLUSION

Parsons should properly administer its contracts with the City. OIAI believes that the overall recommendations will strengthen Parsons' administration of its contracts with the City.

We appreciate the assistance and cooperation of Parsons personnel during the audit.

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Principal Auditor

REVIEWED:

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Audit Manager

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Internal Auditor

APPROVED:

APPROVED FOR PUBLICATION:

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Carmen Kavelman, CPA, CISA, CGAP  
Director  
Office of Internal Audit & Investigations

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Chairperson, Accountability in Government  
Oversight Committee