



January 7, 2016

B & Y Pest Control, Inc. Vendor Audit – Vendor Report

Citywide

Report No. 15-105



Image credit: B&Y website

CITY OF ALBUQUERQUE
OFFICE OF INTERNAL AUDIT

AUDIT REPORT
B&Y PEST CONTROL
CITYWIDE
REPORT NO. 15-105

TABLE OF CONTENTS

	<u>PAGE NO.</u>
Executive Summary	i
Introduction	1
Findings:	
1. B&Y Should Reimburse the City \$13,692 for Overcharges.	2
2. B&Y Invoices Should Include all the Information Required by the Contract.	4
3. B&Y Services Records Should Include all Information Required by the New Mexico Department of Agriculture (NMDA).	5
Conclusion	8
Appendix A – Objectives, Scope, and Methodology	10
Appendix B – Complete Responses from Vendor	12

B & Y Pest Control, Inc.

Citywide Vendor Audit

1/7/2016

Audit #15-105

The purpose of this audit was to review and report on B&Y Pest Control, Inc.'s contract compliance for the 18-month period July 1, 2013 through December 31, 2014.

Findings

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The audit found that B&Y did not fully comply with contract requirements. Specifically, B&Y:

- Inaccurately billed the City on multiple instances;
- Did not include all the required information on invoices; and
- Did not always include all information required by the New Mexico Department of Agriculture on service records.

Executive Summary

The Office of Internal Audit (OIA) conducted a citywide vendor audit of B&Y Pest Control, Inc. (B&Y). Vendor audits are included in OIA's fiscal year (FY) 2015 audit plan and B&Y was selected for audit. In the midst of the audit, B&Y's contract with the City of Albuquerque (City) expired and the Department of Finance and Administrative Services did not renew the contract. As the audit was already underway and the City had received multiple complaints from various City departments pertaining to B&Y's services and billings, OIA continued and completed the audit. Some of the departments' complaints against B&Y Pest Control involved inaccurate billings, unperformed services, and falsified records. The City paid B&Y more than \$105,000 for pest control services during the 18-month audit period.

Recommendations

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B&Y Pest Control should:

- Refund the City \$13,692 for overbillings,
- Itemize its invoices as required in the Vendor Handbook, and
- Fully comply with all applicable federal, state and local laws, rules and regulations.

B&Y disagrees that the organization overbilled the City, and believes the discrepancies were the result of deficient City practices. B&Y will be implementing a system that will correct the information deficiencies noted in the audit.



City of Albuquerque

Office of Internal Audit

January 7, 2016

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

Audit: Vendor Audit - Citywide
B & Y Pest Control, Inc.
Audit No. 15-105

FINAL

INTRODUCTION

The Office of Internal Audit (OIA) conducted a citywide vendor audit of B&Y Pest Control, Inc. (B&Y). Vendor audits are included in OIA's fiscal year (FY) 2015 audit plan and B&Y was selected for audit. Information pertaining to the audit objectives, scope and methodology can be found in **Appendix A**. The audit addressed the 18-month period from July 1, 2013 through December 31, 2014.

B&Y is a family-owned, locally operated company in Albuquerque. Reportedly, B&Y has been serving the City of Albuquerque (City) for more than 20 years. The three-year contract in place between B&Y and the City at the time of the audit included pest control services for nine City departments and was effective October 18, 2011 through October 17, 2014, with an option to extend for two additional 12-month periods, or any part of a month by mutual agreement.

In the midst of the audit, B&Y's contract with the City expired and the City's Department of Finance and Administrative Services (DFAS) did not renew the contract. As the audit was already underway and the City had received multiple complaints from various City departments pertaining to B&Y services and billings, OIA continued and completed the audit. The City paid B&Y more than \$105,000 for pest control services during the 18-month audit period.

FINDINGS

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

1. B&Y SHOULD REIMBURSE THE CITY \$13,692 FOR OVERCHARGES.

Inaccurate billings from B&Y to the City were identified. Amounts charged by B&Y were not always in compliance with the contract rates. Two samples of invoices were selected for testing – a statistical random sample of 23 invoices and a judgmental sample of 12 invoices. From the 35 invoices selected, eight invoices (four from each sample) contained inaccurate billings. Seven of the eight inaccuracies identified were overcharges to the City and totaled \$646.41.

To accurately extrapolate to the entire population, only the information from the random sample was used. Of the 23 randomly sampled invoices, four contained overcharges and totaled \$359.71 as calculated below:

Invoice Overcharges

Invoice #	Date	Amount Billed	Correct Amount	Overcharge	Reason for Overcharge
52964	7/29/14	\$85.59	\$64.20	\$21.39	B&Y billed the City a higher rate
50635	10/29/13	\$329.50	\$69.55	\$190.40*	B&Y billed the City \$65.90/visit (5 visits) rather than \$69.55/month*
52027	4/29/14	\$195	\$57.78	\$137.22	B&Y billed the City \$65/location (3 locations) for 1 month of service rather than the \$19.26 bid/location per quarter (service every 3 months)
52284	5/29/14	\$69.55	\$58.85	\$10.70	B&Y billed the City a higher rate
Total Overcharge				\$359.71	

* According to B&Y and the Parks & Recreation Department, weekly services were requested in preparation for Balloon Fiesta. Three of service dates invoiced were after balloon fiesta. No documentation was available for either the request or approval of the weekly services. Therefore, the three dates serviced after balloon fiesta are disallowed and considered overcharges.

The calculated error rate for the sampled invoices is 13 percent (Total error \$359.71/\$2,758.56 total value of sample invoices). By applying the 13 percent error rate to the entire \$105,000 paid to B&Y Pest Control over the 18-month audit period, it can be reasonably estimated that the City overpaid B&Y Pest Control \$13,692.

Overcharges occurred because B&Y billed the City at higher rates that were inaccurate and not in compliance with the contract.

The contract outlines the rates that B&Y will charge for services. As stated in Section F of the general instructions, terms and conditions of the contract, the contractor “shall provide written notice to the City of any requested price increases” and all approvals “must be in writing by the City Purchasing Officer.”

RECOMMENDATION:

B&Y Pest Control should refund the City a total of \$13,692 for overcharges.

RESPONSE FROM B&Y:

“The audit department is requesting we re-pay the city \$13,692.00 for over billing. For one, we have NEVER billed without the proper approval. The city is alleging that no contract adjustment was made for the charges in question (additional services). I was able to reach by phone previous contacts at the city. All services were PRE- APPROVED and paid for. An example of this was the Transit Department invoice #50635 . The contract stated we are only supposed to charge \$57.78 (for the one building on a quarterly basis). This changed when the Transit Department (Nick Cordova #505-263-7924) approved our WRITTEN quote to add 3 additional buildings at a rate of \$65.00 + tax on a monthly basis (reasoning behind the extra services: the problem was so bad that it needed to go above and beyond the original contract as clearly stated in our proposal) . This is the reason why the invoice amount is \$195.00 (\$65.00 x 3). Secondly, is the invoice #52284 for the Airport facilities. This facility was added to (new sections needed to be sprayed so they were in compliance) and we told him the new price was going to be \$65.00 + tax (which doubled the amount of work on our end). Our point of contact is Steve Herrera #250-2417 (his approval was given verbally

and did not come in writing). Again, we take great offense at being accused of theft (which is what over billing is). We paid all employees for their services (this was verified by the audit department via payroll records) and all invoices were paid as per our agreements (a department is not going to pay for an invoice if it has not been approved).

“Resolution:

B & Y will ensure all accounts have the proper documentation to start a new service. We were under the impression the paper work was done on their end as all invoices were paid and we were given approval for ALL services. In the future we will NOT service an account until they have everything straight on their end (even if they want the service yesterday!)”

For B & Y’s complete response, please refer to Appendix B.

AUDITORS’ COMMENT

Internal Audit contacted the City employees identified in B&Y’s response. Each of the employees responded to our questions in writing. The employee for the Aviation Department stated that neither the service performed nor the price charged had been authorized. The employee for the Transit Department stated that the service performed was requested; however, the increased service price was not discussed or approved.

Note: B&Y’s response refers to invoice #50635 as an invoice for services at Transit; however, it appears that the invoice in question is actually invoice #52027.

B&Y’s understanding and compliance with its contract is essential. The contract is written to prevent unauthorized services and pricing adjustments. The contract establishes the services to be provided and the rates that B&Y will charge for such services. The services in question were not added to the contract and were not approved in writing by the City Purchasing Officer as specified by the contract.

2. B&Y INVOICES SHOULD INCLUDE ALL THE INFORMATION REQUIRED BY THE CONTRACT.

From a sample of 35 invoices selected for review, seven were missing required information (two invoices were missing multiple pieces of information) as detailed below:

- 2 invoices were missing the City Department/Division receiving service;
- 3 invoices did not include itemized quantities; and
- 5 invoices were missing the unit price.

According to the Instructions to Vendors listed on the City’s website, invoices should:

- Clearly indicate the Department **and** Division; and
- Clearly state what goods or services are being invoiced.

Furthermore, the Vendor Handbook requires that invoices must reference the appropriate purchase order and/or release order, itemized quantities, description of goods and/or services, unit price and total price.

Without the required information, it is difficult for City departments to detect incorrect charges on invoices.

RECOMMENDATION:

B&Y Pest Control should submit invoices that contain all the information required by the contract.

RESPONSE FROM B&Y:

“We are sorry for any omissions in the service report, as mistakes do happen. This is going to be rectified by the implementation of our new improved system by adding any pertinent information to the service ticket/invoice (EPA numbers, departments/divisions, itemized quantities and unit prices) and can be modified by the technician via WIFI in the field. This will be CLEARLY indicated on all invoices in the future! So as of today this will no longer be an issue.”

For B & Y’s complete response, please refer to Appendix B.

3. B&Y SERVICE RECORDS SHOULD INCLUDE ALL INFORMATION REQUIRED BY THE NEW MEXICO DEPARTMENT OF AGRICULTURE (NMDA).

The service records were requested for review for the sample of 35 invoices selected. Three service records could not be located and, 17 were missing information required by the NMDA. Some records were missing multiple requirements as detailed below:

- 1 service record was missing the targeted pests;
- 1 service record was missing the brand or common name of the pesticide used;
- 2 service records were missing the name of the application site/city address;
- 3 service records were missing the pesticide’s Environmental Protection Agency number;
- 4 service records had incomplete dates; and
- 13 service records involved outdoor treatment, but were missing the direction and estimated velocity of the wind and temperature at the application site at the time the pesticide was applied.

According to Section 38 of the contract’s General Terms and Conditions, “the Contractor shall, in performance of the Contract, fully comply with all applicable federal, state, or local laws, rules and regulations.”

According to 21.17.50.10 NMAC: Records:

A. Each commercial applicator, non-commercial applicator and public applicator shall keep records for pesticides applied by them or persons under their direct supervision which shall include the following:

- (1) Name of the person for whom the pesticide was applied;
- (2) Target pest(s);
- (3) Year, month, day, and time pesticide was applied;
- (4) Brand name or common name of the pesticide and US environmental protection agency registration number(s) of the pesticide(s);
- (5) Direction and estimated velocity of the wind and the temperature at the application site at the time the pesticide was applied; this requirement shall not apply to application of baits in bait stations or pesticide applications in or immediately adjacent to structures;
- (6) Concentration of the pesticide(s) applied; example: pounds, ounces or pints of pesticide formulation per gallon applied;
- (7) Volume of use-dilution preparation applied, if applied in categories 1A, 1B, 2, 3A, 3B, 5, 6, 7D, and 8 as defined in Section 8;
- (8) Location of the land or city address to which pesticide was applied;
- (9) If applicable, all aircraft identification numbers;
- (10) Name and address of the business or agency and the name of the individual making the application.

RECOMMENDATION:

B&Y Pest Control should fully comply with all applicable federal, state, or local laws, rules and regulations.

RESPONSE FROM B&Y:

“Again, modifications have been made while we are implementing our new and improved system. We are completely getting rid of the paper services reports (which is where most of the mistakes would happen, in the field). We have moved to a completely digital system (we will collect signatures, all targeted pests, pesticides used as well as quantities, weather etc. on our hand held devices). So as of today this will no longer be an issue.”

For B & Y’s complete response, please refer to Appendix B.

CONCLUSION

B&Y overcharged the City a calculated \$13,692 on the invoices for services during the 18-month audit period. Invoicing errors were difficult to detect because B&Y did not include all the required information and itemization on its invoices. In addition, B&Y did not consistently record all the information required by the NMDA.

Although the City no longer has a contract with B&Y Pest Control Services, the company's involvement and cooperation throughout the audit were greatly appreciated.

Contract Auditor

REVIEWED:

Internal Audit Manager

APPROVED:

Debra Yoshimura, CPA, CIA, CGAP
Director, Office of Internal Audit

APPROVED FOR PUBLICATION:

Chairperson, Accountability in
Government Oversight Committee

APPENDIX A

OBJECTIVES

The objectives of the audit were:

- To determine whether B&Y Pest Control, Inc. was in compliance with the contract.
- To determine whether B&Y Pest Control, Inc. was compliant with pest control regulations.

SCOPE

Our audit did not include an examination of all functions and activities related to the B&Y Pest Control, Inc. contract. 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 April 3, 2015 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.

- Gather and review background information, documentation of the internal controls in place, and policies and procedures;
- Review applicable pesticide laws, rules and regulations, City ordinances, and City Administrative Instructions;
- Test a sample of invoices for compliance with the contract, rules and regulations, and policies and procedures;
- Verify pesticides used have been registered with the NMDA;

- Ensure all employees applying pesticides are properly certified;
- Confirm that B&Y was inspected in 2013 by the NMDA;
- Ensure pesticide applications records were maintained for the sample of invoices tested;
and
- Other methodologies as needed.

APPENDIX B



11/24/2015
City Of Albuquerque
Office of Internal Audit
PO BOX 1293
Albuquerque, NM 87103

RE: Vendor Audit Report NO.152-105 Responce.

To Whom It May Concern:

B & Y Pest Control is a small family owned, locally operated business servicing the Albuquerque and surrounding areas (currently 4 full time employees). We have been in business over 30 years without any infractions as we are audited by the Department of Agriculture annually. In addition, we work closely with the Department of Agriculture to ensure our company meets the all requirements necessary regarding application procedures, laws, and regulations. Our company has worked diligently on setting the highest quality standards in the industry! However, B & Y Pest Control, feels that the claims being made against us are a personal attack at our company and valued reputation.

Breakdown of findings and our response/resolution:

1. Inaccurately billed the city on multiple instances:

The audit department is requesting we re-pay the city \$13,692.00 for over billing. For one, we have NEVER billed without the proper approval. The city is alleging that no contract adjustment was made for the charges in question (additional services). I was able to reach by phone previous contacts at the city. All services were PRE-APPROVED and paid for. An example of this was the Transit Department invoice #50635. The contract stated we are only supposed to charge \$57.78 (for the one building on a quarterly basis). This changed when the Transit Department (Nick Cordova #505-263-7924) approved our WRITTEN quote to add 3 additional buildings at a rate of \$65.00 + tax on a monthly basis (reasoning behind the extra services: the problem was so bad that it needed to go above and beyond the original contract as clearly stated in our proposal). This is the reason why the invoice amount is \$195.00 (\$65.00 x 3). Secondly, is the invoice #52284 for the Airport facilities. This facility was added to (new sections needed to be sprayed so they were in compliance) and we told him the new price was going to be \$65.00 + tax (which doubled the amount of work on our end). Our point of contact is Steve Herrera #250-2417 (his approval was given verbally and did not come in writing). Again, we take great offense at being accused of theft (which is what over billing is). We paid all employees for their services (this was verified by the audit department via payroll records) and all invoices were paid as per our agreements (a department is not going to pay for an invoice if it has not been approved).

Resolution:

B & Y will ensure all accounts have the proper documentation to start a new service. We were under the impression the paper work was done on their end as all invoices were paid and we were given approval for ALL services. In the future we will NOT service an account until they have everything straight on their end (even if they want the service yesterday!).

B & Y Pest Control Inc. PO Box 11880 Albuquerque NM, 87192 Phone 505.291.9924 Fax 505.275.4160

APPENDIX B



11/24/2015

2. B & Y invoices should include all the information required by the contact.

A sample of 35 invoices found a select few were missing some key points

- Unit Price
- Department Name
- Itemized quantities

Resolution:

We are sorry for any omissions in the service report, as mistakes do happen. This is going to be rectified by the implementation of our new improved system by adding any pertinent information to the service ticket/invoice (EPA numbers, departments/divisions, itemized quantities and unit prices) and can be modified by the technician via WIFI in the field. This will be CLEARLY indicated on all invoices in the future! So as of today this will no longer be an issue.

3. B & Y Service records should include all information required by the NMDOA:

A select few service records were missing small bits of information required by the NMDOA:

Resolution:

Again, modifications have been made while we are implementing our new and improved system. We are completely getting rid of the paper service reports (which is where most of the mistakes would happen, in the field). We have moved to a completely digital system (we will collect signatures, all targeted pests, pesticides used as well as quantities, weather etc. on our hand held devices). So as of today this will no longer be an issue.

In conclusion, we feel that this has been a learning process for everyone, and will work diligently in the future to prevent any system errors. (IE ensure that the city has the correct contract adjustment prior to our services). We will ensure the paperwork is filled out 100% correctly, so no issues like this will arise in the future. B & Y does not agree we owe the City of Albuquerque ANY money (due to system errors) since all work was performed and done at the request and with consent of the business manager. The City neglected to give us work orders for the additional work performed but all work was requested by the City of Albuquerque, performed and paid to our technicians for their labor. Although, both parties are at fault, all the blame and punishment has been put on our company, leaving the city employees in charge of requesting services without proper documentation that services we completed.

Please contact the office with any questions @ 505-291-9924.

Sincerely,

Jesse A. Stanich
General Manager

B & Y Pest Control Inc. PO Box 11880 Albuquerque NM, 87192 Phone 505.291.9924 Fax 505.275.4160