



City of Albuquerque

Office of Internal Audit

SECOND FOLLOW-UP
TRANE, INC.– CITYWIDE AUDIT
Report #22-19-105F
Date: April 27, 2022

INTRODUCTION

The Office of Internal Audit (OIA) issued *Audit No. 19-105, Trane, Inc. – Citywide* on August 28, 2019. The original report contained two recommendations. OIA completed a follow-up to determine whether appropriate corrective action was taken in response to the report. The first follow-up report issued on December 15, 2021, found that one recommendation was open and in progress and the other had been implemented and was closed. This is the second follow-up performed by OIA regarding this audit report.

BACKGROUND

OIA completed a performance audit of Trane, Inc. (Trane) billings under the City's heating, ventilation and air conditioning (HVAC) on-call service contract No. 708371 for the period of July 1, 2016 through December 15, 2018. The City contracted with Trane to provide on-call HVAC services for city facilities and the Department of Finance and Administrative Services (DFAS) was responsible for administering the contract on the City's behalf.

The original audit was included in OIA's fiscal year (FY) 2019 audit plan. The audit objectives were to determine whether:

- The vendor's billings are accurate and in conformance with the contract.
- The vendor was in compliance with the licensing and insurance requirements of the contract.

Further information pertaining to the audit objectives, scope, limitations, and methodology can be found in Appendix A of the original audit report.

FOLLOW-UP OBJECTIVE

The objective of this second follow-up was to determine whether the Transit Department (Transit) and the Department of Municipal Development (DMD) have taken the corrective actions recommended in OIA's original audit report. Consistent with Government Auditing Standards, Section 9.08, promulgated by the U.S. Government Accountability Office, the purpose of audit reports includes facilitating a follow-up to determine whether appropriate corrective actions have been taken. This field follow-up is a non-audit service. Government Auditing Standards do not cover non-audit services, which are defined as professional services other than audits or attestation engagements. Therefore, Transit and

Second Follow-Up
Trane, Inc. – Citywide Vendor Audit
April 27, 2022

#22-19-105F

DMD are responsible for the substantive outcomes of the work performed during this follow-up and is responsible to be in a position, in fact and appearance, to make an informed judgment on the results of the non-audit service. OIA limited our scope to actions taken to address our audit recommendation from the final audit report dated April 28, 2019 through the submission of actions on April 5, 2022.

METHODOLOGY

To achieve the objective, OIA:

- Obtained documentary evidence from Transit and DMD.
- Corresponded with Transit and DMD to understand and verify the status and nature of the corrective actions taken.
- Verified the status of the recommendation that Transit and DMD had reported as implemented.

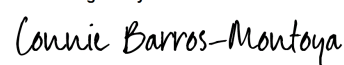
RESULTS

OIA determined that the recommendation included in the original report *Audit No. 19-105, Trane, Inc. – Citywide*, that had been considered open, has now been appropriately implemented and is considered closed. Refer to ATTACHMENT 1 for further details.

Second Follow-Up
Trane, Inc. – Citywide Vendor Audit
April 27, 2022

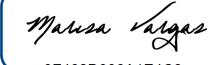
#22-19-105F

SUBMITTED:

DocuSigned by:


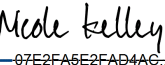
DGF283F3AC33444...
Connie Barros-Montoya, Principal Auditor
Office of Internal Audit

REVIEWED:

DocuSigned by:


0F482D006A1E4C8...
Marisa Vargas, Audit Manager
Office of Internal Audit

APPROVED:

DocuSigned by:


07E2FA6E2FAD4AG...
Nicole Kelly, City Auditor
Office of Internal Audit

APPROVED FOR PUBLICATION:

DocuSigned by:


645A1FA5A6314C3...
Edmund E. Perea, Esq.
Accountability in Government Oversight Committee Chairperson

ATTACHMENT 1

Recommendations	Responsible Agency	Department Response	OIA Conclusion	OIA Use Only Status Determination
<p><u>Recommendation 1:</u></p> <p>The CAO should:</p> <p>Emphasize to all user departments during the Purchasing Liaison User Group meetings the importance of verifying contractual compliance prior to authorizing payments, which include the following:</p> <ul style="list-style-type: none"> ○ Ensure future billing rates are aligned with the labor qualifications of each employee being billed, especially those rates that require a Journeyman license. ○ Ensure trip charges are no longer billed to the City. ○ The actual T&M amounts for services are invoiced and all supporting documentation is 	<p>Transit Department and the Department of Municipal Department</p>	<p>The Transit Department (Transit) worked with Trane to correct Invoice #38136458 so it is billed in accordance with Trane’s contract at the time. Trane provided two (2) credit memos to Transit for a total amount of \$10,811.87.</p> <p>The Department of Municipal Development (DMD) also worked with Trane to obtain a credit memo in the amount of \$1,118.64 for the amount overpaid in Invoice #38369692.</p> <p>Transit and DMD are working with the Department of Finance and Administrative Services (DFAS) to input the credit memos into the accounting system. Per DFAS - Accounting, these credit memos can be taken against future invoices from Trane in the City’s account #3257713.</p> <p>The Transit Department implemented an internal purchase request system in October 2018 to receive all</p>	<p>OIA verified in the first follow-up completed December 15, 2021, that DFAS provides guidance on billing and vendor compliance; however, it is the responsibility of all City Departments to ensure billing rates align with labor qualification, the Time and Material (T&M) cost, and written approval is provided by the City for all sub-contractors increase costs.</p> <p>OIA obtained and reviewed the credit memos from Trane to Transit and verified that they were in reference to invoice #38136458 and reconcile to the overpayment amount of \$10,811.87. OIA also spoke with DFAS and confirmed that they are in the process of inputting the memos into PeopleSoft financials so that future invoices could be charged against them.</p> <p>OIA also observed that Trane has provided a credit memo in the amount of \$1,118.64 to DMD on April 6, 2022. OIA verified that this amount ties-out to the overpayment for invoice #38369692 in the amount of \$1,118.64.</p> <p>While the original audit report recommends the amount of \$23,004 be</p>	<p><input type="checkbox"/> Open</p> <p><input checked="" type="checkbox"/> Closed</p> <p><input type="checkbox"/> Contested</p>

ATTACHMENT 1

<p>provided when billing for quoted services.</p> <ul style="list-style-type: none"> ▪ If the actual T&M cost is estimated to be more than the quote – Trane should request City approval and provide a justification for the increase costs. ○ Written approval is provided by the City for all sub-contractor(s) prior to the issuance of a Purchase Order. • Work with Trane to determine and remedy the actual labor and trip overcharge costs that are estimated at \$23,004 for the audit period. • Work with Trane to identify and remedy any billing variances for quoted services. • Work with Trane 		<p>department requests for purchases. This system ensures correct documents are included before a requisition approved and entered. Transit has provided an example of communications held with Trane to clarify the process for quoted service billings for OIA review. The Transit Department Buyer’s review the contract each time a requisition is submitted for approval. If issues arise, Transit works with Trane until they are resolved.</p> <p>DMD obtains quotes/estimates from Trane for review and approval prior to issuing a purchase order. Once invoices are submitted for payment, the amounts included are reviewed against the quotes. If billing variances are found, Planning works with Trane to address those issues.</p>	<p>remedied, OIA acknowledges that this amount was an extrapolation of costs that were overcharged. Those overcharged costs were included in both invoices in reference and OIA worked with both Transit and DMD to identify actual overpayment amounts for each invoice to be remedied. As both actual amounts are in the process of being credited to the City’s account, OIA concludes that the City complied with the recommendations.</p> <p>OIA reviewed the purchase request system implemented by Transit. The system utilizes SharePoint to track purchases orders and includes headers such as requestor, request, purchase type, account, estimated amount, and column for approval status amongst others labels. OIA was able to observe purchase orders in various stages of progress and reviewed the email template Transit utilizes to inform Trane of their process for quoted service billings, which OIA noted is detailed and informative. Finally, OIA reviewed correspondence regarding Transit’s specific invoice error, and found communication with Trane was quick to fix the overpayment. OIA interviewed DMD officials regarding their processes to identify and</p>	
--	--	---	--	--

ATTACHMENT 1

<p>to clarify and include the process for quoted service billings in the contract.</p>			<p>remedy billing variances with Trane. OIA found that their process is in alignment with DFAS' guidance to obtain credit memos for variances that were overpayments. Additionally, OIA reviewed DMD's process to obtain quoted service billings which is also compliant with DFAS guidance as evidenced in DFAS' <i>Notice to City Contractors</i>.</p>	
--	--	--	--	--