



City of Albuquerque

Office of Internal Audit

FOLLOW-UP

Ahern Rentals, Inc - Citywide

Report 23-16-106F

December 14, 2022

INTRODUCTION

The Office of Internal Audit (OIA) issued an audit report titled Audit No. 16-106 Ahern Rentals, Inc – Citywide on April 26, 2017 (along with an amended report subsequently issued on May 31, 2017, which included the vendor’s response). OIA completed a follow-up to determine the corrective actions that the Chief Administrative Officer (CAO) has taken in response to the report. The original audit report contained three recommendations, two of which have now been implemented and are now considered closed and one which remains open.

BACKGROUND

The City of Albuquerque (City) utilizes rental equipment to perform infrequent or specialized tasks such as using a skid steer with a trenching attachment to dig trenches for electrical or water pipes. In certain situations, using rental equipment is cheaper than purchasing equipment that will not be used regularly.

OIA completed an audit of the citywide contract with Ahern Rentals, Inc. (Ahern), an on-call rental service provider. This audit was included in OIA’s fiscal year 2016 audit plan. The scope period for this audit was from May 1, 2015 through June 30, 2016. Over the 13-month audit period, the City paid Ahern \$46,354 for equipment rental services. The purpose of the audit was to review and report on the accuracy of vendor billing rates and compliance with insurance requirements. Specifically, the audit objectives were to determine whether:

- Ahern’s billings are accurate and in conformance with the contract.
- Ahern was in compliance with the insurance requirements outlined in the contract.

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

The audit found that Ahern did not fully comply with contract billing and insurance requirements and overcharged the City an estimated \$6,300. The following billing inaccuracies were identified in Ahern’s invoices:

- Unallowable damages waiver and environmental fees.
- Charges for equipment not included in the Equipment Schedule.
- Billing rates not in compliance with the Equipment Schedule.

Also, the contract requires the vendor to carry a minimum policy of \$5,000 for medical payments coverage. While Ahern management stated the company was self-insured for the medical payment coverage, Ahern had not provided City with sufficient evidence of its self-insured status.

Follow-Up

Ahern Rentals, Inc. - Citywide

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FOLLOW-UP OBJECTIVE

The objective of this follow-up was to determine whether the CAO has taken the corrective actions recommended in OIA's April 26, 2017 audit. 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, DFAS is 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 original audit report dated April 26, 2017 through the submission of actions on October 4, 2022.

METHODOLOGY

To achieve the objective, OIA:

- Obtained documentary evidence from the CAO.
- Interviewed staff to understand and verify the status and nature of the corrective actions taken.
- Verified the status of the recommendations the CAO had reported as implemented.

RESULTS

Of the three recommendations addressed in the original audit report, two have now been implemented and one remains open. See **ATTACHMENT 1**. OIA will continue to monitor the corrective action taken by the department in response to the report.

Follow-Up
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ATTACHMENT 1

Recommendations	Responsible Department	Department Response	OIA Conclusion	OIA Use Only Status Determination
<p>1. The Chief Administrative Officer (CAO) should:</p> <ul style="list-style-type: none"> • Request reimbursement of \$6,300 from Ahern Rentals, Inc. (Ahern) for overcharges stemming from charges and fees not in accordance with the contract. • Remind City departments and fiscal staff to verify the accuracy of invoices prior to authorizing payments. • Work with Ahern to amend the contract as needed to add or delete equipment to the equipment schedule or to change the pricing of equipment. <p>Ahern should:</p> <ul style="list-style-type: none"> • Reimburse the City \$6,300 for the estimated total of overcharges billed. • Ensure it is not billing unallowable fees. • Ensure all billing rates are in accordance with the approved contract rates. • Work with the City to amend the contract as needed to add or delete equipment to the equipment schedule or to change the billing rates of equipment. 	<p>The Chief Administrative Officer</p>	<p>Please see attached for:</p> <ul style="list-style-type: none"> • Reimbursement • Most recent certification of insurance • Most recent contracts updated for adds/deletes to the equipment schedule. <p>Documentation: See attached.</p> <p>Completion: October 4, 2022</p>	<p>DFAS provided OIA with a listing of credits provided by Ahern for the time period of December 2017, which was approximately six months after the original audit report was issued. The total amount credited by Ahern was \$6,294. While \$6,300 was suggested by the recommendation for reimbursement, this was an extrapolated amount and the \$6 difference from the actual amount reimbursed is immaterial. Additionally, OIA reviewed the credits and the associated invoices in FINPROD and confirmed that the credits were associated with damage fees, environmental fees, and billing adjustments.</p> <p>DFAS's Purchasing Division has taken a number of actions to guide City end-users with invoice review and payment approval guidance such as amending <i>Administrative Instruction 3-7</i> to streamline the vendor payment process and clarify the roles of city users, providing ongoing reminders in PLUG meetings about reviewing contracts before ordering from them, reviewing quotes, ensuring the proper review of invoices, and the importance of end-user approval responsibility in the workflow. However, OIA identified billing errors were still occurring while performing detailed testing.</p>	<p><input checked="" type="checkbox"/> Open</p> <p><input type="checkbox"/> Closed</p> <p><input type="checkbox"/> Contested</p>

ATTACHMENT 1

Recommendations	Responsible Department	Department Response	OIA Conclusion	<u>OIA Use Only</u> Status Determination
			<p>OIA tested ten invoices¹ that included 17 items purchased for a total of \$8,808 (\$345 of which was for pickup, delivery, and fuel charges). OIA found that six items were not listed in the contract’s equipment schedule for a total of \$1,933. Additionally, OIA found that for items included in the contract’s equipment schedule, 11 items had billing rates that were not in accordance with approved contract rates: three items were undercharged totaling \$343 and seven items were overcharged totaling \$738 resulting in a total net overpayment of \$395 approved and paid in error.</p> <p>OIA will work with DFAS to discuss these newly identified billing issues and perform subsequent monitoring activities on the status of this recommendation going forward.</p>	

¹ Two invoices were haphazardly selected for each year during the time period of 2018 through 2022.

ATTACHMENT 1

Recommendations	Responsible Department	Department Response	OIA Conclusion	<u>OIA Use Only</u> Status Determination
<p>2. The CAO should ensure future contracts with Ahern specifically address fuel and delivery and pickup charges.</p> <p>Ahern should:</p> <ul style="list-style-type: none"> • Work with the City to determine if its self-insurance policy is sufficient to waive the requirement for medical payments insurance, or obtain an insurance policy with \$5,000 in medical payments coverage. 	The Chief Administrative Officer	<p>Please see attached for:</p> <ul style="list-style-type: none"> • Most recent contracts addressing fuel and delivery and pickup charges • Most recent certificate of insurance <p>Documentation: See attached. Completion: October 4, 2022</p>	<p>DFAS provided OIA with the most recent contract with Ahern, which is effective through December 2023. OIA verified that the contract was modified to include verbiage regarding fuel, delivery, and pickup charges specifically, “when equipment is picked up, verify that the insurance is not included” and “the delivery charge will be added to the invoice...fuel charges shall be added to the invoice.”</p> <p>In addition, OIA reviewed the most recent certification of insurance provided by DFAS, effective 05/10/2022, and confirmed that medical payments coverage in the amount of \$5,000 is included in the policy.</p>	<input type="checkbox"/> Open <input checked="" type="checkbox"/> Closed <input type="checkbox"/> Contested
<p>3. The CAO should ensure the Department of Finance and Administrative Services Risk Management Division periodically verifies Ahern’s compliance with the insurance requirements outlined in the contract.</p>	The Chief Administrative Officer	<p>Please see attached for:</p> <ul style="list-style-type: none"> • Most recent certificate of insurance <p>Documentation: See attached. Completion: October 4, 2022</p>	<p>OIA reviewed the most recent certificate of insurance provided by DFAS, effective 05/10/2022, and confirmed that the Risk Management Division has ensured that medical payment coverage is included in the policy per the contract’s terms and conditions.</p>	<input type="checkbox"/> Open <input checked="" type="checkbox"/> Closed <input type="checkbox"/> Contested