

**Sanitary Sewer Overflow Program
Contract Audit
December 2012**



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December 10, 2012

MEMORANDUM

TO: William Daniel, Audit Committee Chairman
Brian Mayers, Audit Committee Member
Marsha Hanlon, Audit Committee Member
Mike Walker, Audit Committee Member

FROM: Carol Marcantel
Auditing Manager

SUBJECT: SANITARY SEWER OVERFLOW PROGRAM CONTRACT AUDIT

Enclosed is our report of the Sanitary Sewer Overflow Program Contract Audit. The audit was conducted in accordance with the 2012 annual work program. This report presents all audit issues and the corresponding Management Action Plans.

The Internal Auditing Division will conduct a follow-up review regarding implementation of corrective action. The result of the follow-up review will be reported to the Audit Committee.

We would like to thank the Department of Public Works Sewer Administration and Field Engineering staff for their cooperation and assistance during the audit.

Carol Marcantel

Carol Marcantel
Auditing Manager

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CHAPTER ONE - AUDIT ISSUES

BID DOCUMENTS

➤ CONTRACTOR LICENSE VERIFICATION

The Purchasing Department did not have any documentation on file verifying the license for one Sanitary Sewer Overflow contractor. Also, a contractor worked on a project during a period of time when the contractor did not have a valid license on file with the Louisiana State Licensing Board for Contractors. The contractor license expired within one month of the contract being signed and was invalid a period of 14 days before it was renewed. The contractor performed work 9 days within this 14 day time frame.

Recommendations:

The Purchasing Department should insure contractors submit proof of license verification before they accept bids. If a contractor's license is soon to expire, Purchasing should send a letter requesting the contractor obtain and submit a renewed license by the close of business the day the current license expires.

Effective January 1, 2013, DPW will modify bid specs to require contractors to provide a copy of their current license with every invoice.

CONTRACTOR PAYMENTS

➤ LACK OF SUPPORTING DOCUMENTATION

In our sample of 2011 invoices, CH2M Hill did not submit copies of invoices for any reimbursable expenses, i.e., travel expenses, fleet vehicle expenses, postage, freight and delivery, and temporary help agency expenses, with the original invoice. Of the three invoices reviewed, there were a total of \$305,892 listed as reimbursable expenses without supplementary invoices. CH2M Hill provided a summary report for reimbursable expenses to DPW. The actual invoices were not sent. According to DPW's Assistant Public Works Director of Capital Improvements, he would request some invoices on a random basis to verify validity of expenses.

Recommendations:

Effective January 1, 2013, CH2M Hill will split reimbursement requests into a labor invoice and a reimbursables invoice. CH2M Hill will be required to submit all invoice copies with each reimbursement request in an electronic file. DPW's Assistant Public Works Director of Capital Improvements will review the supporting documentation and keep a copy on file at their office. He will initial the summary invoice to document their review and submit copies of all invoices to Finance- Accounting as supporting documentation for the payment voucher.

CONTRACT INSPECTORS

Effective May 1, 2012, the City-Parish no longer directly employed any contract inspectors. DPW selected three firms to provide inspection services for the SSO Program. All inspectors are employees of the selected firms. The firms are responsible for making sure the inspectors provide the needed services and keeping up with the inspector's time worked and mileage.

➤ INSPECTOR CONTRACTS

Inspector contracts are vaguely written. The contracts do not state any work hour requirements or detailed job descriptions. In reference to job duties, the "Scope of Services" simply states "Contractor agrees to provide services as may be requested by DPW which shall include....resident project inspection, testing, and preparation of documentation for various Public Works sewer construction projects..." In the "Compensation" section the hourly rate is stated but there is no minimum hourly requirement, annual dollar limit, or work schedule. Without any specifics in the contracts, it can be difficult to hold inspectors accountable for their provided services.

Recommendations:

DPW's inspector contracts should include more details about inspector's duties. Some criteria it should include are;

- *Minimum work hour requirements*
- *More detail listing of task required*
- *Performance measures stating how contract employee's will be evaluated*

DPW personnel should check pay rates to contracts.

➤ INSPECTOR TIME SHEETS

DPW – Field Engineering is unable to verify the accuracy of inspectors' hours on their time sheets. Inspectors begin their day at DPW Field Engineering office so the start time is verifiable. However, the inspectors leave directly from the jobsite in the evenings.

Contract inspectors fill out a Daily Project Diary form which has fields for the inspectors' beginning and ending times. Comparison of the Daily Project Diaries to three inspectors' time sheets for 32 days showed the following:

	Inspector #1	Inspector #2	Inspector #3
DPW Field Engineering did not have a copy of the Daily Project Diary.	16	1	32
Daily Project Diary did not have a beginning and ending time for inspector.	0	2	0
Total hours worked on Inspector's time sheet and Daily Project Diary did not match.	1	8	N/A

The largest difference in total hours was 5 hours more reported on a time sheet than on the Daily Project Diary for one inspector on 3/9/11. This resulted in an overpayment of \$130.

DPW – Wastewater Inspections Coordinator believes that contract inspectors are sufficiently monitored by the City-Parish inspectors. Also, the contractor would complain about not being able to move forward until an inspector signs off and take pictures.

Inspectors' time sheets show they work on the same project for long periods of time. This may allow inspectors to become comfortable with contractors and not perform their job duties effectively.

Recommendations:

DPW should develop a procedure that allows the DPW – Wastewater Inspection Coordinator to verify inspectors' time with more accuracy.

DPW should compare each contract inspector's Daily Project Diary to their time sheets to ensure accuracy of time reported and confirm each inspector has turned in a completed Daily Project Diary form.

DPW should rotate inspectors frequently so they are independent from contractors.

➤ **INSPECTOR MILEAGE REIMBURSEMENTS**

The 2011 mileage reimbursement rate was 51 cents at the time of the January 1- January 14, 2011 payment resulting in underpayment. The contract inspectors were reimbursed at 50 cents per mile which was the rate in effect through December 2010.

The 5 contract inspectors in our sample time period were underpaid approximately \$11 for this time period. There are roughly 60 inspectors. Using these figures, contract inspectors could have been underpaid approximately \$132 in mileage reimbursements from January 1, 2011 until January 14, 2011. While this amount is immaterial, overall compliance with contract/legal rates is important.

The Contract states contract employees should be reimbursed for the use of his/her private automobile at the rate set by the Internal Revenue Service at the time of invoice. For the time period of 01/01/2011 – 01/14/2011, the contract worker was reimbursed at the 2010 rate instead of the 2011 rate.

Recommendations:

DPW Wastewater Inspection Coordinator and/or Chief Construction Engineer should ensure the contract inspectors are reimbursed at the proper mileage rate. At the beginning of each year, the rate should be verified on the Internal Revenue Services' website.

DPW should require the inspectors' to log their mileage on the Daily Project Diary forms.

CHAPTER TWO - MANAGEMENT ACTION PLANS

Recommendations included in the report were discussed with DPW – Sewer Administration. The recommendations were agreed upon as Management Action Plans.

EXIT CONFERENCE

DPW – SEWER ADMINISTRATION

We held an exit conference on November 7, 2012 with the following persons in attendance:

- Mark LeBlanc, Assistant Public Works Director of Capital Improvement
- Cindy Kleinpeter, Chief Auditor
- Devin Fernandez, Senior Auditor

The contents of the report were fully discussed. DPW – Sewer Administration did not submit a written response to the audit report

CHAPTER THREE – BACKGROUND, OBJECTIVES, SCOPE, & METHODOLOGY

BACKGROUND

The City-Parish Department of Public Works is implementing a Sanitary Sewer Overflow Control and Wastewater Facilities Program. The purpose of this program is to address existing sewer overflow and wastewater treatment challenges while also planning for future City-Parish growth. The program includes treatment plant upgrades and rehabilitation of sewer lines and other infrastructure components.

The City-Parish contracted with CH2M Hill to prepare a program delivery plan. The plan describes a total of 90 projects to be completed by January 1, 2015 at an estimated total program cost of 1.3 billion dollars.

OBJECTIVES

The Sanitary Sewer Overflow Program Contracts Audit was approved by the Audit Committee in January 2011. The audit objectives are to determine if proper contracting processes were followed, goods/services were received and properly paid for in a timely manner, and vendors complied with contract terms.

SCOPE AND METHODOLOGY

The audit testing was limited to the following.

For a sample of contracts active as of October 1, 2011:

1. Review contracts to determine if proper contracting processes were followed in accordance with the City-Parish's procurement policy and other governing laws, rules, policies, and procedures.
2. Review documents and interview staff to determine if contract activity was properly monitored to ensure required work was performed in accordance with the contracts.
3. Review payments to contractors to verify that they were proper, correct, supported, authorized, and in accordance with contract terms.