CITY OF SAN ANTONIO

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February 20, 2019

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SUBJECT: Audit Report of Transportation and Capital Improvements Department Storm Water Program Contract

Mayor and Council Members:

We are pleased to send you the final report of the Audit of Transportation and Capital Improvements Department Storm Water Program Contract. This audit began in June 2018 and concluded with an exit meeting with department management in December 2018. Management's verbatim response is included in Appendix B of the report. Transportation and Capital Improvements' management and staff should be commended for their cooperation and assistance during this audit.

The Office of the City Auditor is available to discuss this report with you individually at your convenience.

Respectfully Submitted,

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
City of San Antonio

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CITY OF SAN ANTONIO

OFFICE OF THE CITY AUDITOR

Audit of Transportation and Capital Improvements Department

Storm Water Program Contract

Project No. AU18-CO6

February 20, 2019

Kevin W. Barthold, CPA, CIA, CISA
City Auditor

Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted an audit of the Transportation and Capital Improvements Department, specifically the Storm Water Facilities Inspection Contract. The audit objectives, conclusions, and recommendations follow:

Determine if the City and vendor are in compliance with the Storm Water Facilities Inspection Contract.

The City and vendor are in compliance with the Storm Water Facilities Inspection Contract. We determined that Transportation and Capital Improvements has adequate controls to ensure the contractor is meeting project milestones and deliverables. However, we noted some areas where improvements could be made.

We recommend that Transportation and Capital Improvements' Management ensure:

- Citizen notifications are provided prior to performing televising and cleaning efforts as required by the contract.

- Accuracy of invoice payments by requiring submission and review of support documentation.

Transportation and Capital Improvements' Management agreed with the audit findings and has developed positive action plans to address them. Management's verbatim response is in Appendix B on page 6.

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Background

The City of San Antonio's Transportation and Capital Improvement Department (TCI) oversees the City's underground storm water infrastructure. TCI is responsible for maintaining the City's estimated 700 miles of storm water infrastructure and engineering improvement projects. In order to assess the condition of the aging storm water infrastructure, an annual measurable goal of 60 televised miles was established. TCI is responsible for televising 20 miles and a contractor was engaged to televise the remaining 40 miles annually.

In June 2017, the City entered into a contract with RJN Group Inc. (RJN), in an amount not to exceed $4,250,000 over three years, to meet the annual 40-mile contractor goal. The primary goals identified were:

- Perform video inspections of storm water infrastructure, condition assessments, and map the storm water system network, and
- Develop a video inspection and Condition Assessment Master Plan for subsequent years

In an effort to monitor performance, TCI staff attends monthly status meetings with RJN and the subcontractors to discuss progress, miles of televised infrastructure, and any issues encountered. In addition, TCI fiscal staff review invoices submitted. Furthermore, TCI's Contract Monitoring Division performs monitoring procedures over key contractual requirements.

The City's ultimate goal is to utilize the results of the Condition Assessment Master Plan and storm water system network map, as produced by RJN and the City, to prioritize future video inspections and maintenance efforts.

Audit Scope and Methodology

The audit scope included contract compliance and monitoring efforts related to the Storm Water Facilities Inspection Contract from June 2017 through August 2018.

To establish our test criteria, we reviewed the contract and department policies and procedures. To gain an understanding over the internal controls related to the contract, we interviewed TCI staff to review their processes and identify controls associated with contract monitoring, invoice processing, and maintenance plan development.

As part of our testing procedures we verified approvals were granted prior to the commencement of work, verified the existence of citizen notifications, and confirmed the occurrence of monthly status meetings as a contract monitoring tool. We also confirmed contractual requirements were met in regards to project deliverables, personnel and equipment requirements, and insurance coverage. In addition, we confirmed TCI reported miles televised on a monthly basis and proposed maintenance plans as a direct result of televising efforts annually.

Furthermore, we tested invoices from both RJN and subcontractors to determine they were accurate and properly supported. Finally, we tested general and application controls by reviewing the PRIMELink system and restricted network drives for appropriate user access and data backup and recovery procedures.

We relied on computer-processed data in PRIMELink and the City Contract Management System (CCMS) to validate the accuracy of invoice payments made to RJN and subcontractors. Our reliance was based on performing direct tests on the data rather than evaluating the system's general and application controls. Our direct testing included comparing invoice support to invoices submitted via PRIMELink by RJN. In addition, we compared subcontractor invoices to subcontractor payment amounts, as reported by RJN in CCMS. We do not believe that the absence of testing general and application controls had an effect on the results of our audit.

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.

Audit Results and Recommendations

A. Progress and Deliverables Monitoring

TCI has effective monitoring procedures in place that ensure RJN is meeting project milestones and deliverables. We reviewed the scope of work, weekly notifications of work sites, and monthly meeting documentation and determined information met key contractual requirements. TCI has controls in place to approve project tasks prior to commencement. In addition, TCI is notified on a weekly basis which work sites will be televised. TCI staff also meets with RJN and subcontractors on a monthly basis to discuss progress, miles of televised infrastructure, and any issues encountered.

TCI also has a process in place that ensures RJN is in adherence with project deliverables, which include video inspections, pipe defect analysis, and maps of the storm water system. Finally, TCI has proposed 6 maintenance projects as a direct result of video inspections and defect analysis for fiscal years 2018 and 2019.

Recommendation

None

B. Citizen Notifications

TCI does not provide citizen notifications to residences and businesses prior to performing pipe televising and cleaning efforts as required by the contract. The audit team performed inquiries with TCI staff and confirmed the absence of citizen notifications. Although right of way obstruction is not an issue, the equipment used to clean the storm water pipes generates a considerable amount of noise.

According to the contract, notifications should be made to residences and businesses within a 300 foot radius of the selected operations. The City is to provide RJN with door hangers, which are to be hung no less than 48 hours prior to the commencement of work. However, TCI is not following existing controls to ensure the delivery of citizen notifications. If notifications are not provided to residences and businesses, there is an increased potential for citizen complaints due to excessive noise levels.

Recommendation

The TCI Director ensure citizen notifications are provided prior to performing televising and cleaning efforts.

C. Invoice Support

TCI does not require back up invoice support documentation from RJN. Presently, RJN only submits a summary of payment due by task order, which does not include detailed back up.

The audit team reviewed invoices from November 2017 to July 2018 totaling approximately $565,000, from RJN and determined detailed back up was not provided. However, the audit team confirmed the accuracy of the payments made by reviewing invoice support from RJN.

Per TCI's Procurement/Contracting Policy and Procedures Manual, detailed back up should be provided with invoices. Currently, TCI is not following existing controls to ensure the submission and review of invoice support documentation. If invoice support is not required and reviewed, the City could potentially pay vendors for services not performed.

Recommendation

The TCI Director ensure invoice support documentation is submitted and reviewed to confirm the accuracy of invoice payments.

Appendix A – Staff Acknowledgement

Buddy Vargas, CIA, CFE, Audit Manager
Abigail Medina, CPA, CIA, Auditor in Charge
Sophia Konstantinidis, Auditor

Appendix B – Management Response

CITY OF SAN ANTONIO

P.O. Box 839966
SAN ANTONIO TEXAS 78283-3966

December 11, 2018

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
San Antonio, Texas

RE: Management's Corrective Action Plan for the Audit of Transportation and Capital Improvements Storm Water Program Contract

Transportation and Capital Improvements Department has reviewed the audit report and has developed the Corrective Action Plans below corresponding to report recommendations.

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
1	**Citizen Notifications** TCI Director ensures citizen notifications are provided prior to performing televising and cleaning efforts.	3	Accept	Nefi Garza, Assistant Director	January 31, 2019

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
	Action plan: Per the Contract, the contractor is required to notify residences and businesses via door hangers within a 300 foot radius of the operations no less than 48 hours prior to the work beginning. The scope of work under the contract includes video inspection of the storm water infrastructure to determine condition and the cleaning of pipes, if trash and/or debris are present. Typically, the pipe televising and cleaning tasks are performed within the city's dedicated right-of-way using the existing manholes. Traffic control is provided, when necessary. When lowered into the manhole, the televising equipment is able to view a distance of up to half-mile. If debris and trash are detected, the vactor truck is used to perform the cleaning and moves approximately every 400 feet. The vactor truck cleans only when the underground system requires cleaning in order to properly televise and assess the underground system in accordance to televising standards. When cleaning, the noise levels generated by the vactor truck are made in 10 minute intervals for up to one hour, per location When the televising and potential cleaning requires entry onto private properties, the contractor secures a formal right of entry from the property owner. The property owner must agree to provide access by signing the right of entry agreement form. The contractor will not enter any private property to complete the televising and cleaning effort if access is not granted by the property owner(s). After much consideration, TCI amended the contract language removing the requirement to notify residences and businesses via door hangers within a 300 foot radius of the televising and cleaning operations. The notification requirement is unreasonable, there is minimal benefit and may negatively impact the contractor's progress. Some of the property owners within the 300 foot radius do not front the right-of-way and would not witness the contractor working. Also, the impact to the property owners fronting the right-of-way is minimal. The televising and cleaning is primarily within the public right-of-way, is a fairly quick process, and the contractor moves swiftly to complete the work. Furthermore, if cleaning is required, the noise generated from the cleaning is intermittent. The contractor will continue to acquire approved right-of-entry forms when needing access to private property.				
2	**Invoice Support** TCI Director ensures invoice support documentation is submitted and reviewed to confirm the accuracy of invoice payments.	4	Accept	Nefi Garza, Assistant Director	December 31, 2018

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Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
	Action plan: TCI and RJN meet on a monthly basis to discuss the work performed the month prior. At this meeting, RJN provides data and all supporting documentation resulting from the work they performed, which includes but is not limited to linear footage of underground televising, mapping exhibits, and details on infrastructure issues. Historically, this documentation was stored in the project folder of TCI's shared drive and not in the City of San Antonio's Project Reporting Integrated Management Enterprise Link (PrimeLink). The data reviewed in the monthly meetings served as the supporting documentation to justify the payments requests submitted. PrimeLink is a web-based project management tool hosted by Oracle and is used to manage projects. It provides for electronic routing and storage of documents such as invoices, change orders, closeout documents, requests for information (RFIs) and submittals. It is integrated with SAP, the City's financial software, for payment processing and project budget data. PrimeLink allows TCI staff, consultants, and contractors to collaborate on submittal uploads and pay requests (invoices) submittals. PrimeLink facilitates the approval process of the pay requests. While TCI ensured the payments submitted by RJN were justified through the data provided during the monthly meetings, that data was not attached to the pay requests as required in the contract. This has been corrected. As of August 2018, RJN started submitting pay requests (invoices) into PrimeLink with supporting documentation, described above, including details of the hours charged by job classification at the agreed rate, as per the contract. Also, supporting documentation for all previous invoices was uploaded into Primelink so the contract file is complete. In utilizing PrimeLink the contractor has the ability to access to upload and submit all requested documentation; whereas TCI Staff has ability to review and download the same documentation to either accept or deny the submittal package from RJN ensuring all required information is included prior to approving the submitted pay request.				

We are committed to addressing the recommendations in the audit report and the plan of actions presented above.

Sincerely,

Razi Hosseini, P.E. — Date 1/18/19
Interim Director/City Engineer Transportation and Capital Improvements

Peter Zanoni — Date 2-12-19
Deputy City Manager, City Manager's Office

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