



CITY OF RICHMOND

Streetlight Division Maintenance (Phase I)

Office of the City Auditor (OCA) *Audit Report*

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Executive Summary

The Office of the City Auditor (OCA) conducted this audit as part of the FY 2023 audit plan approved by the Audit Committee. The objective of this audit was to evaluate the expenditures, efficiency, effectiveness, and maintenance of the streetlights.

Audit Report Issuance Approach

The audit will be issued in phases, with this report covering a contract's expenditures. The audit results and conclusions regarding the efficiency, effectiveness, and maintenance of the streetlights will be issued under a separate report.

Background

The Streetlight Division operates and maintains approximately 37,000 streetlights, five electric distribution subsystems, over 350 miles of overhead and underground wiring, and thousands of various pole types throughout the City. The City also contracts with Dominion Energy to operate and maintain approximately 6,000 streetlights in the southwest portion of the City. As of November 7, 2024, the Streetlight Division had a significant amount (18) of vacant positions. As such, the City used a combination of internal staff and contractors to complete general operations and maintenance of the electric distribution grid and streetlights.

As a part of this audit, the OCA reviewed a City contract for streetlights. As of October 18, 2024, approximately \$6.5 million has been spent of the \$7.2 million contract. The majority of the contract expenditures were for the following services:

- 55% of the expenditures were for the streetlight count project, which was initiated to inventory and document the streetlights in the City.
- 40% of the expenditures were for the streetlight maintenance work.

Overall Conclusion

Our assessment of internal controls found that the contract was not properly administered or managed by City staff to ensure services were rendered in accordance with the contract and to verify the accuracy of the billed labor hours and equipment. Additional bid lines were added to the contract and a few of these items did not contain adequate details for the OCA to objectively determine what should be billed to the City. The OCA found numerous invoices billed to the City where the use of the added line items appeared to be inconsistent, unsupported, and lacking reasonable justification.

Consequently, resources were mismanaged, and the OCA identified at least \$1.2 million in potentially unallowable charges, overbilling, and questionable billings. More detailed bid line items and billing requirements may have mitigated a few of the issues identified by the OCA.



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More importantly, these issues could have been prevented with proper contract management and oversight by City staff.

The results of this audit were referred to the City of Richmond Office of the Inspector General for any further actions they deem necessary.

Summary of Opportunities for Improvements

Finding 1

The contract was not adequately administered or managed, which contributed to at least \$1.2 million in charges that may be unallowable, overbilled, or questionable. The initial contract included bid line items for labor and personal protective equipment for the individuals used to supplement City staff. The contract was amended in September 2020 to add 13 additional approved labor, equipment, and vehicle bid line items.

The OCA found that the contract was not properly managed to ensure the goods and services were provided and billed in accordance with contract terms and conditions and that the accuracy of invoices was validated before issuing payment. An Engineer Manager was appointed as the contract administrator (the “Contract Administrator”) and was ultimately responsible for the following:

- Ensuring that services or goods are delivered in accordance with the contract terms and conditions,
- Obtaining and approving job estimates and verifying labor hours and classifications if required (time and material contracts), and
- Certifying receipt of services or goods billed were delivered in accordance with the contract terms and conditions.

Per the Contract Administrator, the above duties were delegated to an Engineer Principal for the streetlight count project. However, the Contract Administrator did not ensure the above tasks were carried out by the delegated staff.

As a result, the invoice verification duties described above were not performed for the streetlight count project. The Engineer Principal informed the OCA they forwarded the invoices for payment without verifying their accuracy, essentially paying whatever the Contractor billed the City. Deficiencies in contract administration and management contributed to apparent unallowable charges, overbilling, and questionable billings, as follows:

- The City was billed approximately \$754,614 in unallowed administrative and consultant costs for the streetlight count project. The City was consistently billed labor hours for an Assistant Project Manager, an Information Technology (IT) Consultant, and the



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Contractor. The contract did not include a line item authorizing the City to pay for administrative and overhead costs. The City was billed these costs under a Field Asset Surveyor line item that did exist in the contract.

- The City appears to have been overbilled at least \$161,272 for vehicles, equipment devices, and labor hours:
 - The City was billed for two vehicles for the streetlight count project, one of which was the personal car for one of the Contractor’s employees. Both vehicles were generally billed for the entire month, including non-working days (e.g., weekends and holidays). As such, the Contractor appeared to be compensated for days when the vehicles were not being used to complete contract work.
 - The City appeared to be billed for equipment that was not purchased. In September 2020, two line items were added to the staff augmentation contract: (1) “Integrity & Evaluation Measurement Device” and (2) “Integrity & Evaluation Measurement Device Testing Supplies.” The Contractor initially informed the OCA that these items had not been purchased. The Contractor later changed the explanation and said they were billing for GIS devices and accessories under these bid line items. However, this contradicted what the Contractor previously told the OCA that the GIS devices were billed under the “GPS Locator Device” bid line item. This would mean the City was double billed for the same equipment from February 2023 through July 2024.
 - The OCA reviewed the Contractor’s payroll records and compared the labor hours they paid employees annually against those billed to the City. We noted the City was billed for more labor hours than employees were paid by the Contractor.
- In September 2020, equipment (device) line items, including monthly and daily rates, were added to the contract for the streetlight count project. The OCA could not objectively determine the validity of the charges under these line items due to inadequate records and inconsistent justifications. The OCA identified questionable billings totaling \$289,405 and mismanagement of City resources. Specifically, the OCA noted that:
 - Equipment was generally billed for the entire month, including non-working days (e.g., holidays and weekends).
 - The same equipment appeared to be billed under multiple bid line items, resulting in duplicate billings. For example, a single cell phone was billed as a communication network device, a data processing device, and a GPS locator device.



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- The City appeared to be billed for employees' personal equipment (e.g., cell phones and laptops). The Contractor indicated that staff were reimbursed or are due a reimbursement for using the equipment. The OCA reviewed the Contractor's payroll records and noted minimal reimbursements.

The OCA received inconsistent explanations for what devices were billed and how the quantities were calculated throughout the audit. In addition, some of the equipment line items did not contain adequate details for the OCA to objectively determine what should be billed to the City. As such, the OCA could not objectively quantify the dollar amount of overbilling to the City; therefore, all equipment costs were deemed questionable except for the Integrity and Evaluation Measure Device and Testing Supplies, as they appeared to be overbillings.

Summary of Recommendations

The OCA issued seven recommendations and management concurred with all recommendations. A detailed listing of recommendations and management responses is included in **Appendix C**. We will review the implementation status of the recommendations during our Quarterly Open Recommendation Follow-Up Review.



Background and Internal Controls

Background

Streetlight Overview

The Streetlight Division operationally transitioned from the Department of Public Utilities (DPU) to the Department of Public Works (DPW) in January 2022. As a result of the transfer, streetlight maintenance, contract management and general office responsibilities and all staff resources were assigned to DPW. The Streetlight Division operates and maintains approximately 37,000 streetlights, five electric distribution subsystems, over 350 miles of overhead and underground wiring, and thousands of various pole types throughout the City. The City also contracts with Dominion Energy to operate and maintain approximately 6,000 streetlights in the southwest portion of the City.

Streetlight Division uses the Geographic Information System (GIS) to track the location of streetlights owned by the City, and management estimates that it is 80-85% complete. As of July 2023, approximately 31,000 streetlights were captured in the GIS.

Budget and Expenditures

In fiscal years 2022 and 2023, approximately \$11 million annually was allocated for streetlights. Approximately \$9.9 million of this funding was from the Virginia Department of Transportation (VDOT), and the remaining \$1.1 million are funds adopted and allocated in the City's Capital Improvement Plan budget. The FY 2023 operating and capital streetlight expenditures totaled approximately \$12,686,938.

Staffing

In January 2022, DPU began the operational transfer of the streetlight responsibilities (i.e., active and vacant positions, maintenance activities, contract management, and general office responsibilities) to the Department of Public Works (DPW). The Streetlight Division will be fully transferred to DPW once a City Charter change is completed. As of the organizational chart dated November 7, 2024, there were 18 vacant positions within the Streetlight Division. The streetlight organizational structure is shown in **Appendix D**.

Contracts

As noted in **Appendix D**, the Streetlight Division has a significant amount of vacant positions. Per City management, the last time they were fully staffed was in 2014, and they continue to have staffing constraints. As such, the City uses a combination of internal staff and contractors to complete general operations and maintenance of the electric distribution grid and streetlights.



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The City contracted with six vendors¹ during FY 2023 to aid in maintaining the streetlight and distribution systems.

The City executed a contract, which included labor and personal protective equipment. The contract was modified four times, including increasing the contract amount, adding additional bid line items, and increasing the bid line item rates. The initial contract term was for two years with two renewal options of two years each. The contract is in its second renewal, valued at \$7.2 million, and is slated to end in 2025.

As of October 18, 2024, approximately \$6.5 million has been spent on the services listed below, with the streetlight count project making up 55% of the total expenditures.² **Table 1** summarizes the contract expenditures by service type.

Table 1: Contract Expenditures by Service Type

Expenditure Total	Service Type	Service Description
\$3,597,885	Streetlight Count Project	Inventory the streetlights located in the City and document details (e.g., location and pole type).
\$2,608,995	Streetlight Maintenance	Additional labor for maintenance work.
\$234,025	Water Treatment Plant	Additional labor at the Water Treatment Plant.
\$44,833	Instrumentation and Controls ³	Surveying field assets.

Source: Created by OCA using purchasing and expenditure data from the City's financial system.

Conclusion on Internal Controls

According to the Government Auditing Standards, internal control, in the broadest sense, encompasses the agency's plan, policies, procedures, methods, and processes adopted by management to meet its mission, goals, and objectives. Internal control includes the processes for planning, organizing, directing, and controlling program operations. It also includes systems for

¹ A detailed review of one of the six contract's expenditures was completed during this audit. The other contract expenditures may be reviewed under a separate audit engagement.

² During FY 2023, the contract expenditures totaled approximately \$1.8 million with 55% of the expenditures for the streetlight count project.

³ The Contractor staff in this role was originally a part of the streetlight count project. When they transitioned to this role, the services continued to be billed on the streetlight count project invoice. The services for March 2024 – June 2024 were broken out from the streetlight count project and billed under separate invoices.



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measuring, reporting, and monitoring program performance. An effective control structure is one that provides reasonable assurance regarding:

- Efficiency and effectiveness of operations;
- Accurate financial reporting; and
- Compliance with laws and regulations.

Our assessment of internal controls found that the contract was not properly administered or managed by City staff to ensure services were rendered in accordance with the contract and to verify the accuracy of the billed labor hours and equipment. Additional bid lines were added to the contract and a few of these items did not contain adequate details for the OCA to objectively determine what should be billed to the City. The OCA found numerous invoices billed to the City where the use of the added line items appeared to be inconsistent, unsupported, and lacking reasonable justification.

Consequently, resources were mismanaged, and the OCA identified at least \$1.2 million in potentially unallowable charges, overbilling, and questionable billings. More detailed bid line items and billing requirements may have mitigated a few of the issues identified by the OCA. More importantly, these issues could have been prevented with proper contract management and oversight by City staff.

The results of this audit were referred to the City of Richmond Office of the Inspector General for any further actions they deem necessary.

Findings and Recommendations

Finding 1: The contract was not adequately managed, which contributed to at least \$1.2 million in charges that may be unallowable, overbilled, or questionable.

The initial contract included bid line items for labor and personal protective equipment for the individuals used to supplement streetlight maintenance work. The contract was amended in September 2020⁴ to add 13 additional approved labor, equipment, and vehicle bid line items. Some of the equipment line items included both a daily and monthly rate. A few of the added line items did not contain adequate details for the OCA to determine what should be billed to the City.

The OCA found that the contract was not properly managed to ensure that goods and services were provided and billed in accordance with the contract terms and conditions. Per the Department of Procurement Services Policy 37 – Contract Administration, the user agency is

⁴ Thirteen line items were requested in the September 2020 contract modification. However, two of the line items were mistakenly not included in the contract modification but were later added in December 2020.



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responsible for administering its contracts, and a contract administrator is designated in writing for each term contract using the Designation of Responsibilities of Contract Administration (DRCA) form. An Engineer Manager was designated as the contract administrator for the contract reviewed. On the form, the Engineer Manager (Contract Administrator) certified that they understood their duties and responsibilities as the Contract Administrator, which in part included the following:

- Ensuring that services or goods are delivered in accordance with the contract terms and conditions,
- Obtaining and approving job estimates and verifying labor hours and classifications if required (time and material contracts), and
- Certifying receipt of services or goods billed were delivered in accordance with the contract terms and conditions.

Per the Contract Administrator, they delegated the above duties to an Engineer Principal for the streetlight count project and a Power Line Superintendent for the streetlight maintenance work. The Contract Administrator further indicated that their expectations were for both individuals to review and reconcile the invoices to the timesheets, ensure the City was billed correctly, and not to sign off on billings without supporting documentation.

The OCA reviewed 37 invoices totaling approximately \$2 million for services provided between January 1, 2021, and January 31, 2024, for the streetlight maintenance work. In our review of the invoices, we found that the Power Line Superintendent generally reviewed the invoices before approval, as we noted minor discrepancies between the billed streetlight maintenance labor hours and supporting timesheets.

The OCA also reviewed 44 invoices for the streetlight count project totaling approximately \$3.9 million for services provided between January 1, 2021, and July 31, 2024. In our review of the invoices, the OCA found that the invoice verification duties described above were not performed by the Engineer Principal, and we identified apparent unallowable charges, overbilling, and questionable billings.

Based upon a review of the email communications between the Contractor, including their staff, and City staff, there was no evidence that the Engineer Principal assigned to review and approve the invoices questioned any of the billings, which the OCA confirmed in an interview with the Engineer Principal. They informed the OCA that they forwarded the invoices for payment without verifying their accuracy, essentially paying whatever the Contractor billed the City.

The lack of invoice review and verification contributed to the City being billed at least \$1.2 million in apparent unallowable charges, overbilling, and questionable billings. A summary of the OCA's billing observations is noted below in **Table 2**.



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Table 2: Summary of Billing Observations

Billing Type	Amount ⁵	Billing Description
Unallowable	\$754,614	The City was billed for services not included in the bid line items incorporated into the contract.
Overbilling	\$161,272	<p>The City appeared to have been billed for more labor hours than were worked for the project. The provided timesheets and payroll earning reports indicated the Contractor's employees worked and were paid fewer hours than what was billed to the City.</p> <p>The City was billed for leave hours (sick, vacation, holiday) when employees appear to have not been working. In addition, the City was billed for the same labor hours on multiple invoices.</p> <p>The City was billed for vehicle usage on what appears to be nonworking days (e.g., weekends, holidays, etc.) and for days when it appeared a vehicle was not used in the field.</p> <p>The City was billed for equipment that the contractor did not appear to ever purchase.</p>
Questionable	\$289,405	Based on responses from the Contractor and City staff, the OCA determined that the City appeared to have been incorrectly billed for the equipment. However, the OCA cannot conclude the total amount that was incorrectly billed due to a lack of adequate details in some line items, a lack of documentation, and explanations that appeared to be inconsistent and illogical.

Source: Created by OCA using testing results

The OCA found that the root cause of all the identified issues stemmed from contract administration and management deficiencies related to the new line items that were added to the contract. A few line items for equipment were added without adequate details for the OCA to determine how they would be billed to the City. The OCA found numerous invoices billed to the City where it appears that the use of the added line items were inconsistent, unsupported, and lacked reasonable justification, allowing at least \$1.2 million in charges that may have not been billable under the contract.

⁵ The OCA excluded identified billing discrepancies for invoices remitted to the City but there was no evidence of payment in the financial system.



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These issues could have been prevented with proper contract management and oversight by City staff. It was the Contract Administrator's responsibility to ensure that services were rendered in accordance with the contract and to verify the accuracy of labor hours billed and job classifications. This oversight role is primarily performed during the invoice review process. The Contract Administrator assigned this oversight role to an Engineer Principal without verifying whether the assigned staff adequately performed the contract oversight duties.

The Engineer Principal informed the OCA that they forwarded the invoices for payment without verifying their accuracy, essentially paying whatever the City was billed. The Engineer Principal informed the OCA that they did not receive a copy of the contract until the OCA inquiry. The OCA notes that it is impossible to properly verify the accuracy of invoices without knowing the contract terms and conditions.

Ultimately, both City staff members acknowledged their failure to provide adequate oversight of the contract. The Contract Administrator advised that they met with the team responsible for reviewing invoices, provided copies of the contract, and reestablished clear expectations for contract management.

The OCA found that the lack of proper contract administration and management by the City contributed to the following:

1A. The City was billed approximately \$754,614 in unallowable costs.

In September 2020, two of the 13 line items added to the contract were for Field Asset Surveyor and Field Asset Surveyor Lead labor rates. The OCA obtained the job description for Field Asset Surveyor from the Contractor and noted the description stated the following:

“The Field Asset Surveyor (FAS) will verify, evaluate, identify, status condition, ownership, configuration of all field utility vertical\other infrastructure assets in Richmond, VA. Take pictures and record condition, upload pictures, position data, and all critical data points for projects of varying size and complexity. The daily duties are in Richmond, Chesterfield Co., or Henrico Co.”

According to the Contract Administrator, under the Field Asset Surveyor line item, the City was only to be billed for work performed in the field, such as collecting and inputting data. Since the contract was for staff labor, the line items were specifically intended for direct roles supporting the City. The contract does not include line items for administrative work, so the Contractor should not bill the City for any administrative tasks. The OCA reviewed the contract and all modifications and concurred with the Contract Administrator's assessment, finding no line items that would permit billing for administrative, indirect, or overhead-related charges. The Contract Administrator indicated that they had discussed with the Contractor the importance of billing only for the line items specified in the contract.

The OCA reviewed 44 streetlight count project invoices from January 1, 2021, to July 31, 2024, to verify whether the billed rates matched the approved rates for the line items in the contract and



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whether the individuals billed were properly classified and charged under the correct line items. The OCA reviewed timesheets for all individuals billed to the City on the invoices. The review revealed the timesheets generally listed the employee's title, and most employees were identified as Field Asset Surveyors. The tasks described on their timesheets aligned with the job description of a Field Asset Surveyor, and they appeared to be performing fieldwork to collect data except for three individuals.

We found that the City was billed approximately \$754,614 in unallowed administrative and consultant costs. The City was consistently billed labor hours for an Assistant Project Manager, IT Consultant, and the Contractor under the Field Asset Surveyor and Field Asset Surveyor Lead contract line items.⁶ The OCA reviewed timesheets, invoices, and other supporting documents regarding these three individuals and identified the following:

1A.1 The City was billed approximately \$476,363 in costs for an Assistant Project Manager charged under the Field Asset Surveyor bid line item.

The City was billed for 6,228.25 labor hours totaling approximately \$476,363 for the Assistant Project Manager under the Field Asset Surveyor bid line item from April 1, 2021, to July 31, 2024. However, the timesheets indicated the individual's title was "Assistant Project Manager," and administrative tasks were predominately captured on the timesheets. The timesheets also contained tasks unrelated to the City. Examples⁷ of the administrative tasks are included in **Table 3** below.

Table 3: Assistant Project Manager's Administrative Tasks

Billing Time Period	Task Descriptions
June 2022	eVA ⁸ and VEC ⁹ searches, onboarding documents, update calendar, email templates for time reporting, invoice, insurance application, end of week reports, update PTO ¹⁰ accounts, SharePoint files
July 2022	Gather, download, and file Daily Time and Task Reports (DTTR), end of week/month reports, eVA and VEC searches, submit RFP, ¹¹ review SharePoint, audit preparation, payroll calculations, invoice reports, catch up and design reports
August 2022	eVA and VEC searches, DTTR, create new employee folders, end of week reports, invoice template, DTTR audit prep and compilation, time reports

⁶ Field Asset Surveyor was billed at \$69 per hour between January 2021 and January 2023 and the rate increased to \$86.25 in February 2023. The Field Asset Surveyor Lead was billed at \$79 hours between January 2021 and January 2023 and increased to \$98.75 in February 2023.

⁷ Examples were extracted from timesheets where the invoiced hours matched the timesheet hours exactly, meaning the City was billed for all the hours.

⁸ eVA is the State of Virginia's electronic procurement system.

⁹ Virginia Employment Commission (VEC)

¹⁰ Paid time off

¹¹ Request for Proposal



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Billing Time Period	Task Descriptions
January 2023	Research eVA, prep payroll report, edit invoices, exit interview, organize SharePoint, update timesheets and reports, payroll
July 2023	Invoicing another vendor, eVA and VEC searches, payroll reports, DTTR, SharePoint updates, update weekly reports, set up TEAMS, staff evaluations, interview, P&P updates, update policy, develop TEAMS calendars, onboarding documentation
October 2023	eVA and VEC searches, onboarding, meeting with company owner, send new hire documents to staff, prep payroll and PTO reports, end of month report preparation, troubleshoot Policy & Procedure form error, filing, rename files in payroll, update invoices, weekly reports and DTTR reports, filing, updated edited forms to new hire page, fix computer issues, update report templates and formulas
January 2024	Reports, filing, scanning, payroll and PTO reports, end of month reports, audit

Source: Created by OCA using the daily tasks from the timesheets

As noted in **Table 3**, some of the identified reoccurring administrative tasks included eVA and VEC searches, payroll and time reports, updating SharePoint, weekly and monthly reports, and filing.

We found several timesheet entries where the City was billed for the Assistant Project Manager's time, but the timesheet indicated the work performed was not related to the City and/or this contract in any way. For example:

- From August 2021 through October 2021, the City was billed for hours that the Assistant Project Manager worked on tasks for another company, including creating a website, researching, and building a credit application, graphic work, creating stationary, brochure, and business cards, setting up email, researching trucking companies, search for truckers and home health companies, research profit margin, end of week reports, and RFP and proposal delivery.

Upon OCA inquiry, the Contractor indicated the Assistant Project Manager was working part-time for another company, and this work should not have been billed to the City.

- On July 13, 2023, the timesheet showed the Assistant Project Manager's task for eight hours as "No Internet."

The OCA spoke with the Assistant Project Manager and confirmed they are not a Field Asset Surveyor and instead mainly performed administrative-related work for the Contractor. This type of work included creating forms, searching for new employees, payroll, emails, creating reports



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for the invoices, and meeting with the Contractor's consultant.¹² As previously noted, there is no contract line item for administrative work. As such, these costs should not have been billed to the City.

1A.2 The City was billed approximately \$106,916 in costs for information technology (IT) consulting services charged under the Field Asset Surveyor bid line item.

The City was billed for 1,443 labor hours totaling approximately \$106,916 for IT consultant services charged under the Field Asset Surveyor bid line item from April 1, 2021, to July 31, 2024. During our review, the OCA noted the timesheets provided did not contain hours for the IT Consultant. We followed up with City staff for supporting documentation for the billed hours, and the Contractor notified City staff that there were no timesheet hours for the IT Consultant. The Contractor further indicated that the IT Consultant does not work specific hours since their role is to provide supportive services based on IT field challenges, equipment troubleshooting, data capture problems, ordering replacement parts, and security and software network issues. The Contractor revised the timesheets to include the billed hours from the invoices for the IT Consultant, as noted in email communication to the Engineer Principal responsible for reviewing and approving the invoices and the Contract Administrator.

On January 26, 2024, the OCA interviewed the Contractor, and they noted the IT Consultant worked 10-15 hours each month to provide IT support and assist the City with the GIS software. The Contractor also indicated they met with the Assistant Project Manager and the IT Consultant weekly to ensure the data was captured correctly. The Contractor further indicated that the IT Consultant invoiced the Contractor, and the Contractor invoiced the City. We requested and reviewed copies of the IT Consultant invoices provided by the Contractor and noted the following:

- The OCA requested all 33 invoices from April 2021 to December 2023. The Contractor did not provide 12 invoices.
- The invoices detailed line items for SharePoint support services, including monthly support, data management, information maintenance, and app development, with an average of approximately 11 labor hours per month.
- The invoices also included software costs such as Microsoft 365 Business Basic and Business Premium.
- Invoices were for a flat monthly rate of \$600.

¹² The OCA also notes that these administrative tasks described also matches the tasks described on the Assistant Project Manager's LinkedIn webpage. Some duties on their LinkedIn page includes:

- Managing email communication to field staff/teams.
- Create formulated Excel sheets for timekeeping, invoicing, time reports.
- Create payroll reports and paid time off accounts.
- Perform problem resolution, troubleshooting and diagnosis of various issues during the administrative process.



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On February 7, 2024, the OCA interviewed the IT Consultant, and they stated initially, they went into the field with the team to understand what they were doing and attended some meetings. However, the IT Consultant indicated they are not and have never been a Field Asset Surveyor. The IT Consultant informed us that the original contract with the Contractor began in 2017 for consulting services on a project basis, and the contract was amended to add the count project. The IT Consultant explained their role involved creating a SharePoint database and an iPad application for data entry for the Contractor. Their responsibilities also included monthly maintenance, software updates, iPad configuration, assigning users, and onboarding and training new employees for the Contractor.

The IT Consultant noted that they submitted a monthly invoice to the Contractor for a flat rate of \$600. They internally tracked their time to ensure they did not exceed the hours they were compensated for. This fee covered updates, maintenance, software, and training. The IT Consultant informed the OCA that this rate remained consistent throughout the project, and their contract expired in December 2023. The IT Consultant's description of services provided, and the monthly flat fee aligned with the invoices reviewed by the OCA. The IT Consultant also agreed to provide the OCA with a copy of the contract, but it was never provided.

The OCA noted that all services on the invoices were related to administrative and overhead costs. These services were billed to the City under the Field Asset Surveyor line item though none of these services matched the duties of a Field Asset Surveyor. While none of the IT Consultant's expenses should have been charged to the City, the OCA also noted large discrepancies between the labor hours invoiced to the Contractor and those billed to the City. In calendar years 2021, 2022, and 2023, the City was billed a monthly average of 74, 30, and 21 hours, respectively, while the labor hours on the invoices provided¹³ from the IT Consultant to the Contractor averaged approximately 11 hours per month.

On March 7, 2024, after the OCA met with the IT Consultant regarding their work and hours, they notified us they had underbilled the Contractor for 2022 and 2023 services. They provided a reconciliation and two additional invoices, marked as an "Invoice Correction." The IT Consultant also provided copies of their 2022 and 2023 invoices to the OCA, and we noted the invoices generally did not contain a description of the labor hours previously included in the copies we received directly from the Contractor. Additionally, the OCA noted the IT Consultant's updated reconciliation included hours that now generally match the hours invoiced to the City. The IT Consultant then stopped responding to additional questions from the OCA and did not provide their contract with the Contractor or their 2021 invoices.

Without the IT Consultant's contract, the OCA could not determine the terms and conditions of the agreement with the Contractor. Also, we could not validate what was paid to the IT Consultant. Based on information from the Office of Minority Business Development (OMBD), the Contractor pledged to subcontract a portion of this contract to the IT Consultant to satisfy the

¹³ The City was billed for the IT Consultant starting in April 2021. However, the OCA only received three invoices for calendar year 2021, and several invoices were not provided for 2022 and 2023. The IT Consultant invoices were provided by the Contractor.



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established Minority Business Enterprise (MBE) and Emerging Small Business (ESB) goal. As of November 8, 2024, OMBD indicated the Contractor had not reported any payments issued to the IT Consultant to satisfy the MBE/ESB goal.

The OCA interviewed the Contractor again on August 8, 2024, and they advised that though the IT Consultant hours were not specifically tracked, they were trackable because the IT Consultant met with both the Contractor and the Assistant Project Manager. The Contractor further indicated that they billed the IT Consultant as a Field Asset Surveyor because the IT Consultant was doing IT work and used to go out into the field, and they were a part of the team to fix something if it failed. However, as noted above, the IT Consultant indicated they were not and have never been a Field Asset Surveyor. As such, the OCA notes that all hours billed for the IT Consultant were unallowable.

1A.3 The City was billed \$171,335 in costs for the Contractor charged under the Field Asset Surveyor Lead bid line item.

From January 1, 2021, to July 31, 2024, the City was billed for 2,024 hours for the Contractor's labor, totaling \$171,335, under the Field Asset Surveyor and Field Asset Surveyor Lead bid line items. During our review, the OCA noted the timesheets provided did not contain hours for the Contractor. We followed up with City staff for supporting documentation for the billed hours, and the Contractor notified the City that there were no timesheets for their own hours as they do not work specific hours since the Contractor's role is to provide supportive services based on IT field challenges, equipment troubleshooting, data capture problems, ordering replacement parts, and security and software network issues. The Contractor revised the timesheets to include the billed hours from the invoices for themselves, as noted in email communication to the Engineer Principal responsible for reviewing and approving the invoices and the Contract Administrator.

The OCA noted that the Contractor was billed for an average of 48 hours monthly under the Field Asset Surveyor and Field Asset Surveyor Lead bid line items since the start of the project. Initially, there were no timesheets to support these hours or to describe any duties the Contractor may have performed. Instead, the Contractor indicated they reviewed their calendar for various meetings and estimated the time worked to bill the City. The Contractor also informed us they billed themselves as a Field Asset Surveyor Lead because they were part of the Contractor's count project team. In the early stages of the project, the Contractor and the IT Consultant were more involved in setting up logistics, data capture, and review processes. Now, the Contractor primarily serves as a support for the Contractor's count project team. The OCA received no documentation to support the Contractor's role on the count project team. The duties described above are administrative and overhead duties, which were unallowed costs and should not be billed to the City.

As previously noted, the labor hours for the Assistant Project Manager, IT Consultant, and the Contractor were unallowed costs. The OCA obtained the Contractor's payroll records and compared the hourly rates the Contractor paid to employees to the rates billed to the City and noted average markup rates of 139% before the rate increase in February 2023 and 201% after



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the rate increase in all contract labor rates. This indicates that administrative and overhead costs may have been included in the rates as is common practice in the industry.¹⁴

1B. The City appeared to have been overbilled at least \$161,272 for vehicles, equipment devices, and labor hours.

The OCA reviewed the Contractor’s invoices for services provided between January 1, 2021, and July 31, 2024, and noted that the City appears to have been overbilled at least \$161,272 for equipment that was not purchased, for vehicles, and for labor hours. A summary of the apparent overbilling is noted below in **Table 4**.

Table 4: Summary of the Identified Overbilling

Overbilling Type	Amount	Description
Vehicles	\$38,994	The City was billed for two vehicles, one of which was one employee's personal vehicle. Both vehicles appeared to be billed for non-working days (e.g., holidays and weekends) and days when not used in the field.
Integrity Measurement Device and Testing Supplies	\$65,664	The City appeared to be billed for equipment that was not purchased.
Labor Hours	\$56,614	The City appeared to be billed for more labor hours than were worked for the project and, in some cases, billed for the same hours on multiple invoices.

Source: Created by the OCA using invoices and timesheets.

1B.1 The City appeared to be overbilled at least \$38,994 for vehicles used for the streetlight count project.

Two of the 13 line items added to the contract in September 2020 were named “Pickup Truck” and “Small Work Van.” The City was billed \$117,942 for these line items from March 1, 2021, to July 31, 2024. The OCA found that the City was billed for 48 days for the Small Work Van for March 2021, though there are only 31 days in the month. The City was billed for 21 and 20 days for April 2021 and May 2021, respectively. From June 2021 onward, with a few exceptions, the City was billed for the entire month, including weekends, holidays, and non-working days using the Small Work Van line item. The City was consistently billed for two vehicles starting in October 2021. To verify the vehicle billings, the OCA requested documentation to support the vehicle billing, performed a site visit to the Contractor’s office, and interviewed the Contractor’s

¹⁴ Markup rates for the Assistant Project Manager were excluded from calculation to prevent skewing the results.



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Field Asset Surveyor Lead, the employee responsible for overseeing the daily operations of the Field Asset Surveyors.

The Field Asset Surveyor Lead informed the OCA when the project started, the team used their personal vehicles for work. Eventually, the Contractor purchased a small Sports Utility Vehicle for team use. The team consists of a four-person crew split into two groups. They traveled together in one vehicle and split up once on site. The Field Asset Surveyor Lead indicated they go out to spot-check the completed work and meet the crew using their personal vehicle, for which they receive mileage reimbursement from the Contractor.

The Contractor confirmed that the company owns only one vehicle, purchased approximately 2.5 years ago. They explained that the second vehicle billed to the City is the personal vehicle of the Field Asset Surveyor Lead, which the Field Asset Surveyor Lead used when going out into the field. Per the Contractor, the Field Asset Surveyor Lead is reimbursed at the IRS mileage rate for using their personal vehicle.

The OCA concluded that the City appears to have been overbilled at least by \$14,598 for the personal vehicle of the Field Asset Surveyor Lead.¹⁵ Although the vehicle was billed as if used daily from October 1, 2021, to May 31, 2024, payroll records only showed mileage reimbursements to the Field Asset Surveyor Lead for 16 months in the amount of \$3,001, with the last mileage pay reimbursement paid to the Field Asset Surveyor Lead in May 2023.¹⁶

Furthermore, as shown in the Field Asset Surveyor Lead's timesheets, the vehicle did not appear to be used daily in the field, however we could not objectively quantify the total amount billed when the vehicle was not used in the field. For example:

- On January 25, 2022, the daily task indicated downloaded District 4 folders to hard drive; eight hours were recorded.
- On April 15, 2022, the daily task indicated workbook editing and photo backups; eight hours were recorded.
- On August 16, 2022, the daily task indicated researched and documented new CDC COVID report pre and post exposure; eight hours were recorded.
- On May 29, 2023, the daily task indicated showed up for work, but the building was locked; two hours were recorded on the timesheet.
- On June 21, 2023, the daily task indicated rain day, finished streetlight report and projects for the rest of the week; three hours were recorded.
- On June 23, 2023, the daily task indicated a rainy day; zero hours were recorded.

¹⁵ The OCA quantified the amount billed to the City only for weekends and holidays, excluding days where the Field Asset Surveyor Lead's timesheets showed they may have worked. We could not objectively determine the total amount the City was billed for days when the vehicle was not used in the field. In total, the City appeared to be billed \$49,146 for this vehicle.

¹⁶ As of the provided payroll data through check date 2/9/2024



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- On July 19, 2023, the daily task indicated a partial rain day, and the Field Asset Surveyor Lead hung paintings in the office. The City was billed for four labor hours that day and the use of their personal vehicle.
- On August 29, 2023, the daily task indicated came to the office, planned the day, and had to go home; eight hours were recorded.

Finally, the City was billed for every day, including weekends, holidays, and paid time off, despite the vehicle not appearing to be used for contract work those days.

For similar reasons, the OCA also found the City appears to have been overbilled at least \$24,396 for the use of the Contractor-owned vehicle. The City was billed for this vehicle on non-workdays, including weekends,¹⁷ holidays,¹⁸ and Fridays, when the count project field team was off due to a compressed schedule.¹⁹ The City was also billed for days when the team appeared to be working in the office due to the weather. **Table 5** below provides a breakdown of the apparent overbilling by category.

Table 5: Overbilling for the Contractor’s Vehicle by Category

Category	No. of Days	Amount Overbilled
Weather Days	21	\$1,068
Holidays	22	\$1,164
4-10 Workweek	57	\$2,796
Weekends	337	\$17,652
Other Non-Specified Apparent Overbilling	35	\$1,716

Source: Created by OCA using testing results and Contractor Invoices

The Contractor informed the OCA they billed for the entire month because the vehicle was purchased specifically for the streetlight count project. Upon discussion of these observations with both the Contract Administrator and the Engineer Principal, the OCA was advised that they were unaware that the City was billed for non-working days and days the count team was working in the office. The Engineer Principal, responsible for reviewing and approving the invoices, indicated they thought the vehicles were billed hourly rather than daily. The Engineer Principal informed the OCA that they did not receive a copy of the contract until the OCA inquiry. The OCA notes that it is impossible to properly verify the accuracy of invoices without knowing the contract terms and conditions.

¹⁷ The Field Asset Surveyors’ timesheets showed 10 days where they may have worked on a weekend. However, the timesheet tasks do not appear to be related to work where the vehicle was used in the field.

¹⁸ The OCA reviewed timesheets through January 2024. The City was billed for holidays in May and July 2024. The OCA did not review timesheets for these months to determine if the Contractor’s staff may have worked. Therefore, we did not include these days in the potential overbilling.

¹⁹ The count project team generally worked four 10-hour days (Monday – Thursday) from the week ending July 9, 2021, to the week ending March 10, 2023.



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1B.2 The City appeared to be billed approximately \$65,664 for equipment that was not purchased.

In September 2020, two of the 13 line items added to the contract were “Integrity & Evaluation Measurement Device” and “Integrity & Evaluation Measurement Device Testing Supplies.”

The OCA reviewed the invoices and noted that the City was billed the entire month for the device and one unit for testing supplies on each monthly invoice from February 2023 through July 2024, totaling approximately \$65,664. The OCA discussed these bid line items with the Contractor several times and noted the following:

- In January 2024, the Contractor advised that the Integrity Measurement Device had not been purchased because that phase of the project had not yet begun. These devices were to be used to measure the integrity of the wooden poles, which was to be the next phase of this project. The testing supplies were the replacement drill bits for the device. This information was confirmed by the Contractor’s Field Asset Surveyor Lead and the Contract Administrator.
- In February 2024, the Contractor emailed the OCA a listing of the streetlight count devices. The listing indicated that the Integrity Measure Device was tablets, cell phones, and GIS devices, and the testing supplies were the GIS Devices and accessories.
- In August 2024, the Contractor reiterated that the device to test the integrity of the wooden poles had not been purchased; in fact, they were meeting with a contractor the day of the interview to get a demonstration of that device. However, during this interview, the Contractor indicated that the GIS device was also an Integrity Measurement device.

When asked again about the billings, the Contractor stated that they were billing the Arrows GIS devices as the Integrity Measurement Device and the Testing Supplies were the accessories for the devices. However, the Contractor previously informed the OCA in the January 2024 interview that the GIS devices were included in the GPS Locator Device bid line item, which was confirmed by the Contractor’s Field Asset Surveyor Lead and the Contract Administrator. Upon discussing this observation with the Contract Administrator, the OCA was informed that the Contractor should not have billed the City for the Integrity Measure Device and Testing Supplies as these line items were related to the wooden pole integrity testing project, which had not begun. The Contract Administrator further indicated the GIS devices were already billed under the GPS Locator Devices bid line item.

If the OCA accepted the Contractor’s explanation that they were billing the Arrow GIS devices under the Integrity Measurement Device and Testing Supplies bid line items, this would mean that the Contractor double-billed the City for the same equipment from February 2023 through July 2024 as they also continued to bill under the GPS Locator Device bid line during this same time. In essence, this would still be an unallowable billing. As such, the OCA notes that the City appeared to be overbilled \$65,664 for equipment that was not purchased.



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1B.3 The City appeared to be overbilled by at least \$56,614 in labor costs.²⁰

The City was billed monthly for the streetlight count project and streetlight maintenance work. The labor hours for the streetlight count project were billed based on the Contractor’s time records. The labor hours for the streetlight maintenance work were billed based on the City’s timesheets that were forwarded to the contractor. The streetlight count project team reported directly to the Contractor. The individuals on the streetlight maintenance team reported directly to City staff, worked with City employees, and remitted weekly timesheets to the Powerline Superintendent. The Powerline Superintendent approved the timesheets and remitted them to the Contractor, which appeared to be used to bill the City.

The OCA obtained timesheets from January 1, 2021, through January 31, 2024, and attempted to determine the monthly labor hours worked per staff compared to the monthly labor hours billed to the City. The City received 74 invoices with labor costs totaling approximately \$4.7 million. We identified various discrepancies on the timesheets that prevented the OCA from accurately quantifying variances. These discrepancies included:

- Timesheets for the entire month were not provided for some employees.
- Lunch and breaks were not readily identified on the timesheets and could not be accounted for in the calculations.
- The OCA was provided with two sets of timesheets for the streetlight count project staff. The OCA noted that the timesheets contained different hours for the same employee on the same date. As shown in **Table 6**, we also noted the second set of timesheets had an electronic modification date on or the day before they were sent to the OCA and appeared to have been modified to include labor hours for the IT Consultant and the Contractor.

Table 6: Examples of Discrepancies Between the Two Sets of Timesheets Provided to OCA

Week Ending Date	1 st Timesheet Hours	1 st Timesheet Modification Date	2 nd Timesheet Hours	2 nd Timesheet Modification Date
May 14, 2021	32	8/20/2022	45.5	2/6/2024
October 29, 2022	8	10/31/2022	0 ²¹	2/6/2024
December 1, 2023	40	12/4/2023	32	2/7/2024

Source: Created by OCA using the Contractor Timesheets

²⁰ This apparent overbilling is exclusive of the billed unallowable labor hours discussed in Finding 1A-1A.3.

²¹ The second timesheet remitted to the OCA indicated the employee was on paid leave the entire week.



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Although the OCA could not objectively quantify the variances, we noted various examples where the City appeared to be overbilled as follows:

- **Duplicate billing for the same day:** The timesheets were structured by week (Monday-Friday). In some cases, when a month ended midweek, the last few days of the month were captured in that month and the subsequent month. For example, July 31, 2023, was a Monday. The Contractor billed the City labor hours for July 31, 2023, in the July 2023 and August 2023 invoices.
- **Math errors on timesheets:** The OCA recalculated the hours on the timesheets and found incorrect formulas.
- **Billing for Holidays, Sick, & Vacation Time:** Instances were noted where the City was billed for holidays, sick, and vacation time. The City does not pay leave for contract employees.

Due to the discrepancies among the different timesheets and the unexplained variances between the timesheets and invoices, the OCA reviewed the Contractor's payroll records to conduct a high-level reasonableness analysis. The OCA compared the labor hours the Contractor paid employees annually against those billed to the City. The OCA found thirteen²² records, particularly in 2021, where the City was billed for more hours than the Contractor's employees were paid. For example, a Field Asset Surveyor was paid for 1,216 hours in 2021, yet the City was billed for 1,375 labor hours for this employee in the same year.

As shown in **Table 7** below, we identified thirteen employees for whom the City appeared to be overbilled by a total of at least 745 hours, amounting to at least \$56,614.

Table 7: City Billed for More Hours Than Paid to Employees

Employee	Earnings Year	Hours Paid	Hours Invoiced	Difference	Billed Rate	Questionable Costs - More Hours were Invoiced than Paid ²³
1	2021	404.25	440.00	35.75	\$69.00	\$2,466.75
2	2021	1,820.50	1,918.00	97.50	\$79.00	\$7,702.50
3	2021	1,734.00	1,811.00	77.00	\$79.00	\$6,083.00
4	2021	1,216.00	1,375.00	159.00	\$69.00	\$10,971.00
5	2021	488.00	584.00	96.00	\$69.00	\$6,624.00
6	2021	567.50	585.00	17.50	\$75.00	\$1,312.50
7	2021	1,755.50	1,805.55	50.05	\$69.00	\$3,453.45
8	2022	541.00	543.00	2.00	\$88.00	\$ 176.00

²² Ten of these instances are for the streetlight count project employees. Two are for the streetlight maintenance employees and one is the staff performing electric work at the Water Treatment Plant.

²³ Some of the identified differences included overtime hours. However, the OCA used the regular hourly rates to conservatively calculate the apparent overbilling.



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Employee	Earnings Year	Hours Paid	Hours Invoiced	Difference	Billed Rate	Questionable Costs - More Hours were Invoiced than Paid ²³
9	2022	720.00	748.95	28.95	\$75.00	\$2,171.25
10	2023	851.00	856.50	5.50	\$86.25	\$ 474.38
11	2023	192.00	288.00	96.00	\$86.25	\$8,280.00
12	2023	533.50	573.50	40.00	\$86.25	\$3,450.00
13	2023	247.5	287.50	40.00	\$86.25	\$3450.00
TOTAL		11,070.75	11,816.00	745.25		\$56,614.83

Source: Created by OCA using the Contractor's Payroll Records, Timesheets, and Invoices

The OCA discussed and forwarded these labor hour discrepancies to the Contractor to research and provide feedback. However, the Contractor has not provided any responses.

The majority of the labor hour discrepancies were for the streetlight count project employees. As noted above, these employees reported directly to the Contractor and the billed labor hours were based on the Contractor's timesheets. The Engineer Principal did not verify the accuracy of the invoices before forwarding the invoices for payment.

1C. The City was billed \$289,405 in questionable equipment costs.

In September 2020,²⁴ equipment line items for the streetlight project were added to the contract. These line items included both monthly and daily rates and increased in February 2023, as noted in **Table 8**. The City was billed \$289,405 for these line items between January 1, 2021, and July 31, 2024. **Table 8** below summarizes the contract rates and billed amount by bid line item.

Table 8: Contract Rates and Billed Amounts by Equipment Line Item

Equipment Line Item	Rate Through 1/31/2023	Rate Effective 2/1/2023	Total Billed
Communication Network Device - Daily	\$ 10.00	\$ 12.50	\$84,182.50
Communication Network Device - Monthly	\$ 65.00	\$ 81.00	\$48,324.50
Data Processing Device - Daily	\$ 8.00	\$ 10.00	\$65,466.00
Data Processing Device - Monthly	\$ 65.00	\$ 81.00	\$38,737.00
GPS Locator Device - Daily	\$ 4.00	\$ 5.00	\$30,847.00
GPS Locator Device - Monthly	\$ 45.00	\$56.00	\$21,848.00
TOTAL			\$289,405

Source: Created by OCA using Invoices and Bid Lines

²⁴ Thirteen line items were requested in the September 2020 contract modification. However, two of the line times were mistakenly not included in the contract modification but were later added in December 2020.



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The OCA notes that some contract line items lacked sufficient detail, making it difficult to determine what should be billed to the City and the appropriate billing method. Per the Contract Administrator, the equipment included for each category was not specified as they were unsure what would be needed for the work. This was evident in the email communications between the Contractor and City staff. For example, there were several emails between July 26, 2022, and March 19, 2023, discussing the various GPS devices that were proposed, or used and whether the equipment was adequate to achieve the desired location accuracy. The OCA reviewed the Contractor’s invoices and noted inconsistencies in the quantities billed for the equipment line items noted in **Table 8**.

In the OCA’s review, the use of the added equipment line items on invoices appeared inconsistent, unsupported, and lacking reasonable justification. The OCA identified questionable billings totaling \$289,405, along with instances of mismanagement of City resources.

The OCA inquired with the Contract Administrator, Engineer Principal, and the Contractor’s Field Asset Surveyor Lead to determine what equipment was included in each equipment line item category and noted the following:

- The Engineer Principal indicated cell phones were used for communication, tablets with cellular data were used to allow data transmission, and GPS antennas were used in the field to capture the asset location. They also forwarded questions about how the equipment line items were billed to the Contractor.
- The responses of the Contract Administrator and the Contractor’s Field Asset Surveyor Lead were similar, as demonstrated in **Table 9** below.

Table 9: Contract Administrator and the Contactor’s Field Asset Surveyor Lead Explanations for the Equipment Bid Line Items

Equipment Category	Contractor’s Field Asset Surveyor Lead Response	Contract Administrator’s Response
Communication Network Device	One mobile hotspot used when the team is unable to get a wireless signal	Point-to-point communication or device that connects a network and communicates data, such as a phone sim card or mobile hotspot
Data Processing Device	Four iPads used for uploading data	Input device for data collected in the field (tablet, laptop, other handheld)
GPS Locator Device	Two EOS Arrow 100 and accessories (hat, antennae, and wires for devices) used to collect location data for the poles	Antennae that identify location coordinates

Source: Created by OCA based on Interviews



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The Contractor's responses differed from the Contract Administrator and the Field Asset Surveyor Lead. Also, the Contractor provided inconsistent explanations of the items billed throughout the audit as follows:

- In November 2023, the Contractor advised iPads, iPhones, laptops, software, and GIS equipment were required to complete the contracted work. They did not indicate which devices were in each category or how the quantities billed were determined.
- In January 2024, the Contractor still did not indicate which equipment was in each category or how the quantities billed were determined. Instead, they expanded upon the listing of equipment that each team utilized to include portable chargers, Wi-Fi hotspots, and shields/protectors to protect the devices from the weather. The Contractor further noted the GPS Locator devices were purchased in 2023 to track the exact location for GIS and were only used in the City of Richmond portion of the count project, and each team²⁵ uses one device.
- On February 20, 2024, the Contractor emailed the OCA a newly expanded listing of devices that each streetlight count project team member needed to perform their daily duties but still did not indicate which devices were in each category and how the quantities were billed. The newly added items included an internet service account, printers, online storage, and computer. In the email, the Contractor indicated the team members used their own devices and were reimbursed or owed reimbursements.
- On February 25, 2024, in response to the OCA follow-up inquiry on how the billed monthly and daily device quantities were calculated, the Contractor provided a breakdown of the equipment included under the equipment bid line items, captured in **Figure 1**. The OCA noted that the same equipment was captured under multiple bid lines. For example, tablets and cell phones are captured under the Data Processing Device, GPS Locator Device, and Integrity Measuring Device.

Again, the Contractor did not provide an explanation for how the billed quantities were calculated.

²⁵ There are two 2-person teams that go out into the field to locate and log details of the streetlight located in the City.



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Figure 1: Explanation Received from Contractor on February 25, 2024

Communication Network Device	Laptop, WiFi service, Hotspot Device, & Printers
Data Processing Device	Tablets, Cell Phones, Desktop Computers, Online Storage Account
GPS Locator Device	Tablets & Cell Phones
Integrity Measuring Device (GIS)	Tablets, Cell Phones, & GIS Device
Integrity Measuring Device (GIS) Testing Supplies	GIS Device & Accessories

Source: Provided by the Contractor

- On February 28, 2024, the Contractor advised the OCA they did not know how they calculated the daily quantities for the equipment billed to the City.
- On March 1, 2024, the Contractor emailed the OCA explaining how the device quantities, including the daily quantities, were calculated using the November 2022 streetlight count project invoice. The OCA noted that the equipment included under each line item slightly differed from the information the Contractor provided in on February 25, 2024, as shown in **Figure 1** above. For example, the hotspot device was captured under the Communication Network Device line in **Figure 1** but captured under Data Processing Device and GPS Locator Device line items in the March 1 email.

We also noted from the email explanation that the same devices were billed in multiple categories. In fact, the same equipment was billed in multiple categories under both the monthly and daily rates. For example, using the Contractor's billing explanation, a single cell phone was billed at least four times on the November 2022 streetlight count project invoice.

The Contractor also indicated the monthly quantities were calculated based on the number of items in the field multiplied by the number of employees in the field. The daily quantities were calculated by multiplying the number of items times the number of days in the month.

- On August 6, 2024, the Contractor provided another explanation for how the equipment was billed. This time, the Contractor indicated that cell phones, tablets, Wi-Fi, and hotspots are the devices that were billed under the Communication Network Device, Data Processing Device, and GPS Locator Device bid line items for the monthly rates rather than what is shown in **Figure 1** above. The OCA noted using this logic, the same equipment would be billed in all three bid line items under the monthly billed rate. The Contractor indicated quantities billed for the monthly rate were calculated by multiplying the number of devices by the number of people in the field.

The Contractor further indicated quantities billed for the daily rate were calculated by multiplying the number of people in the field by the number of days in the month. This



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contradicts the explanation in the March 1st email, where the Contractor indicated the daily quantities billed were based on the number of devices.

The OCA attempted to apply the Contractor's August 6, 2024, billing explanation across several invoices during the interview and noted discrepancies. For example, in the November 2022 invoice, only three items were used to calculate the monthly quantities rather than the four items the Contractor described (cell phones, tablets, Wi-Fi, and hotspots). In response, the Contractor indicated the equipment and quantities billed are based on the staff in the field and what they are working on. As such, it varies. For example, sometimes the Assistant Project Manager, IT Consultant, and Contractor are included in the calculation for the billed equipment devices and excluded at other times.

Finally, while reviewing the streetlight count project invoices, the OCA noted that after we started inquiring about the devices and how they were being billed, the City was not billed for devices on the December 2023 and January 2024 invoices. We also noted a drastic decline in monthly billed quantities on the February 2024 through July 2024 invoices. In August 2024, we inquired with the Contractor regarding this observation. They informed the OCA that they stopped billing the devices in December 2023 and January 2024 while working to answer the OCA's questions regarding how the devices were billed. A reasonable explanation for the decline in the billed monthly device quantities starting in February 2024 was not provided.

Based upon the Contractor's billing explanations, discussion with the Contract Administrator, and the OCA's review of the streetlight count project invoices, we found that the City may have been overbilled for certain equipment. Specifically, the following observations were noted:

- The same equipment appears to have been billed under multiple bid line items, resulting in duplicate billings.
- Equipment was generally billed for every day of the month. The Contractor justified these charges by stating equipment needed to be maintained and could not be shut off on the weekends. This is further exacerbated by the fact that some of the equipment (e.g., cell phones) were owned by the Contractor's employees, and the Contractor was compensated for devices that were being personally used on non-working days.
- The Contractor advised that personally owned equipment (e.g., cell phones, laptops, and personal computers) would be reimbursed. The OCA reviewed the Contractor's payroll records for January 2021 through January 2024 and noted minimal reimbursements. For example, we noted that phone reimbursements of \$50 each were paid to streetlight count project staff in March 2021, April 2021, and June 2021, totaling \$550. There were no other reimbursements specifically for phones in the provided payroll records. In total, from January 2021 to January 2024, the OCA only noted \$7,692 in reimbursements or other payments on the payroll records.
- During the January 26, 2024, interview, the Contractor indicated that the GPS locator devices were purchased in 2023 and used only in the City's portion of the count. However, the Contractor started billing the City for the GPS locator devices in June 2021.



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The Contract Administrator indicated that the Contractor should not have billed the City for GPS Locator Devices when the project started in the southwest portion of the City because GIS locations were not used since these were Dominion Energy poles.

The OCA reviewed the southwest count spreadsheet and noted, based on the captured photo dates, that the streetlight count project team worked in this area from February 2021 to April 2022. We reviewed the streetlight count project invoices and noted that the City appeared to be overbilled by approximately **\$9,400**.²⁶

In addition to the above observations, the City was billed monthly and daily rates for the communication, data processing, and GPS locator devices. The OCA inquired about the difference between the monthly and daily rates and the Contractor noted the following:

- Monthly: Quantities were billed for devices with monthly service charges (e.g., cell phone service).
- Daily:
 - In the January 2024 interview, the Contractor indicated daily quantities were billed for each device for each person.
 - In the March 1, 2024, email to the OCA, the Contractor indicated that the daily quantities were billed based on the number of devices times the days in the month. The Contractor further indicated that the daily charge is for one person using the device and not billed for each person.
 - In the August 2024 interview, the Contractor indicated the daily quantities were billed based on the number of people working in the field times the number of days in the month.

The OCA inquired with the Contract Administrator regarding the difference in the equipment devices' monthly and daily bid line items. The Contract Administrator indicated the monthly rate was for equipment used every day, and the daily rate was for items only occasionally used. The Contract Administrator's explanation for the difference in the monthly and daily bid line items seemed reasonable but did not appear to align with the way the City was actually billed.

Given the inconsistencies described above, the OCA does not have an objective way to quantify the dollar amount of overbilling to the City. As such, all equipment costs were deemed questionable.

The Engineer Principal confirmed that they did not question the quantities of devices billed and approved the invoices at face value. Consequently, the City paid invoices that appeared to be

²⁶ Via the Southwest count data, the photos were taken in this area between February 3, 2021, and April 18, 2022. To be conservative, the OCA used the February 2021 – March 2022 invoices to calculate the potential overbilling amount. Also, the GPS Locator devices billed on the February 2022 invoice were excluded as there is no evidence in the City's financial system that this invoice was paid.



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inconsistent, unsupported, and lacking reasonable justification, leading to apparent overbillings and mismanagement of resources. More detailed bid line items and billing requirements may have mitigated a few of the issues identified by the OCA. More importantly, these issues may have been prevented with proper contract management and oversight by City staff.

Recommendations

Recommendation 1

High Priority

We recommend that DPW and DPU Directors work with the City Attorney's Office to recoup funds for the unallowable charges, overbilling, and questionable billing identified in this audit. In addition, review all outstanding invoices in detail and work with the City Attorney's Office on how to proceed.

Recommendation 2

High Priority

We recommend that DPW and DPU Directors work with the Department of Procurement Services to determine how to proceed with the existing contract, including assessing contract termination.

Recommendation 3

High Priority

We recommend that the Director of Department of Procurement Services work with the Chief Administrative Office and the City Attorney's Office to determine if the Contractor should be debarred or suspended in accordance with City Code.

Recommendation 4

High Priority

We recommend that DPW and DPU Directors define a process to ensure that bid line items are adequately defined in all contract documents and that employees and contractors both explicitly understand what is to be billed.

Recommendation 5

High Priority

We recommend that the Director of Procurement Services define a process to ensure that bid line items are clearly defined in all contract documents.

Recommendation 6

High Priority

We recommend that DPW and DPU Directors develop and implement a process to ensure that goods and services are billed in accordance with contract terms and conditions, invoices are reviewed for accuracy, and proper support is provided prior to payment. This process should explicitly ensure that employees receive and review contracts they are assigned to manage and



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that they determine how to verify an invoice for accuracy once invoice review duties have been assigned.

Recommendation 7

High Priority

We recommend that DPW and DPU Directors ensure that staff responsible for managing contracts and reviewing invoices are properly trained, including invoice verification procedures. Employees designated to review invoices by Contract Administrators should be explicitly trained on what those duties entail, and the Contract Administrator should be responsible for oversight.



Appendix A

Compliance Statement, Objectives, Scope, and Methodology

Compliance Statement

This audit was conducted in accordance with the Generally Accepted Government Auditing Standards promulgated by the Comptroller General of the United States. 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 the audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

Objectives

The objective of this audit was to evaluate the expenditures, efficiency, effectiveness, and maintenance of the streetlights.

Scope

The Department of Public Work's streetlight maintenance process during FY 2023 and the current environment. This audit focused on the functionality and repair of existing streetlights. Installation of new streetlights was not reviewed as part of this audit.

The audit will be issued in phases, with this report covering a contract's expenditures. The audit results and conclusions regarding the efficiency, effectiveness, and maintenance of the streetlights will be issued under a separate report.

Methodology

The OCA performed the following procedures to complete this audit:

- Interviewed City staff to gain an understanding of the controls and procedures for approving and processing the contract payments.
- Interviewed the Contractor, the Contractor's staff, and the IT Consultant to gain an understanding of the contract scope work, their roles and responsibilities related to the contract and billing and tracking processes.
- Obtained and keyed the Contractor's timesheets for the streetlight count project employees to calculate the monthly labor hours per staff. Timesheets for January 1, 2021



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– January 31, 2024, were keyed. The review period started in January 2021 to coincide with the start of the streetlight count project.

- Obtained and keyed City timesheets for the Contractor’s employees working on streetlight maintenance to calculate the monthly labor hours per staff. Timesheets for January 1, 2021 – January 31, 2024, were keyed. The review period started in January 2021 to coincide with the start of the streetlight count project.
- Obtained and keyed the Contractor’s invoices for the streetlight count project and the streetlight maintenance work to summarize the billed contract bid lines and quantities. Invoices for service periods January 2021 – July 2024 were keyed for the streetlight count project and invoices for service periods January 2021 – May 2024 were keyed for the streetlight maintenance work.
- Compared the billed labor hours to the streetlight count project and streetlight maintenance timesheets for January 2021 – January 2024 to determine any discrepancies. This review period was judgmentally selected to coincide with the start of the streetlight count project and to have a sufficient basis for conclusions.
- In addition to tracing January 2021 – January 2024 labor hours to the timesheets, the streetlight count project invoices were reviewed to quantify the apparent unallowable administrative and IT Consultant costs, vehicle cost overbilling, and questionable equipment costs billed to the City for service periods January 2021 – July 2024.
- Obtained the Contractor’s payroll records and conducted a high-level reasonableness test to determine if the City was billed for more hours than employees were paid.
- Compared the hour rate the Contractor paid employees to the billed contract rate to calculate the contract markup rate.
- Analyzed daily tasks that are documented in the streetlight count project employees’ timesheets to determine if work align with billed labor category.
- Conducted other tests as deemed necessary.

Management Responsibility

City management is responsible for ensuring resources are managed properly and used in compliance with laws and regulations; programs are achieving their objectives; and services are being provided efficiently, effectively, and economically.



Appendix B

Definition of Audit Recommendations Priorities

The Office of the City Auditor (OCA) assigns priority ratings for the recommendations based on the importance and impact of each recommendation to the City, as outlined in the table below. The OCA is responsible for assigning priority ratings for recommendations, and the City Administration is responsible for establishing target dates for implementing the recommendations.

PRIORITY LEVEL	PRIORITY LEVEL DEFINITION
HIGH	The recommendation addresses critical issues that are occurring that pose significant risks to the organization, including significant internal control weaknesses, non-compliance with laws and regulations, financial losses, fraud, and costly or detrimental operational inefficiencies.
MEDIUM	The recommendation addresses moderate issues that could escalate into larger problems if left unaddressed. While they may not pose an immediate risk, they could lead to significant financial losses or costly operational inefficiencies over time. There is potential to strengthen or improve internal controls.
LOW	The recommendation improves overall efficiency, accuracy, or performance in City operations.



APPENDIX C

MANAGEMENT RESPONSES

RECOMMENDATION #1	
<p>We recommend that DPW and DPU Directors work with the City Attorney's Office to recoup funds for the unallowable charges, overbilling, and questionable billing identified in this audit. In addition, review all outstanding invoices in detail and work with the City Attorney's Office on how to proceed.</p>	
Concur (Yes/No)	Yes
ACTION STEPS	
<i>(Please describe the steps you will take or have taken to address the recommendation)</i>	
<p>Legal is currently engaged and providing guidance on the matter. The department will examine any outstanding pending invoices for accuracy according to contract line items craft, scope and rates.</p>	
Target Date or Date Implemented	TBD Legal Guidance
Title of Responsible Employee	Streetlight Division Administrator

RECOMMENDATION #2	
<p>We recommend that DPW and DPU Directors work with the Department of Procurement Services to determine how to proceed with the existing contract, including assessing contract termination.</p>	
Concur (Yes/No)	Yes
ACTION STEPS	
<i>(Please describe the steps you will take or have taken to address the recommendation)</i>	
<p>DPW is currently working with only the Maintenance Contractors that provide staff augmentation for routine daily maintenance through the contract vendor. Staff has started the process to seek another vendor and anticipates the full removal of the contract vendor's staff by December 16. A Termination Letter was sent to the Contractor on November 22, 2024. The Contract is terminated effective February 20, 2025, and it was made clear that no services will be needed after December 16, 2024.</p>	
Target Date or Date Implemented	11-22-2024
Title of Responsible Employee	Streetlight Division Administrator



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RECOMMENDATION #3	
We recommend that the Director of Department of Procurement Services work with the Chief Administrative Office and the City Attorney's Office to determine if the Contractor should be debarred or suspended in accordance with City Code.	
Concur (Yes)/No	Yes
ACTION STEPS	
<i>(Please describe the steps you will take or have taken to address the recommendation)</i>	
The Director of Procurement Services is coordinating with CAOs office and the City Attorney's office to determine if the Contractor should be debarred or suspended in accordance with City Code.	
Target Date or Date Implemented	TBD
Title of Responsible Employee	DPS/Legal

RECOMMENDATION #4	
We recommend that DPW and DPU Directors define a process to ensure that bid line items are adequately defined in all contract documents and that employees and contractors both explicitly understand what is to be billed.	
Concur (Yes)/No	Yes
ACTION STEPS	
<i>(Please describe the steps you will take or have taken to address the recommendation)</i>	
An SOP will be created to ensure department wide concurrence with all contract documents.	
Target Date or Date Implemented	90 Days
Title of Responsible Employee	DPW and DPU Directors or their designee



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RECOMMENDATION #5	
<p>We recommend that the Director of Procurement Services define a process to ensure that bid line items are clearly defined in all contract documents.</p>	
Concur (Yes)/No	Yes
ACTION STEPS	
<i>(Please describe the steps you will take or have taken to address the recommendation)</i>	
<p>The Department of Procurement Services’ process for ensuring bid line items are clearly defined in appropriate contract documents is as follows: For goods and services bids, DPS reviews the bid sheet and loads the line items into CORERP on blanket purchase agreements. This allows for system verification of the line item against the invoice and contract before approval of payment.</p> <p>This contract was established as a contract purchase agreement as such line items were not loaded in the system. Without line-item specification, system checks are not available and review of invoices for accuracy and payment becomes manual.</p> <p>The agency and DPS must collaborate to ensure the correct agreement type is selected for use.</p>	
Target Date or Date Implemented	TBD
Title of Responsible Employee	DPS Director



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RECOMMENDATION #6	
<p>We recommend that DPW and DPU Directors develop and implement a process to ensure that goods and services are billed in accordance with contract terms and conditions, invoices are reviewed for accuracy, and proper support is provided prior to payment. This process should explicitly ensure that employees receive and review contracts they are assigned to manage and that they determine how to verify an invoice for accuracy once invoice review duties have been assigned.</p>	
Concur (Yes)/No	Yes
ACTION STEPS	
<i>(Please describe the steps you will take or have taken to address the recommendation)</i>	
<p>The recommended action has already begun within the DPW Streetlight Division. However, the DPW Streetlight Division will ensure that all AP protocols are being followed and are in compliance with DPS and internal complementary supporting processes; i.e., all invoices having all justifying documentation of service or good, front line staff managing project/tasking sign-off verifying receipt of goods or services; all charges are correct in accordance with contract\purchase agreements. Internal AP staff will not process any invoice without the appropriate supporting documentation. Refresher training will be provided, along with any additional training required for the entire process component roles.</p> <p>The Senior Deputy Directors within DPW and DPU will ensure that all personnel involved in the above described tasks are properly trained, and tasks are monitored to ensure adherence to guidelines. This process will be documented through performance evaluations, and periodic performance reviews with personnel.</p>	
Target Date or Date Implemented	End of FY2025 or July 1, 2025
Title of Responsible Employee	Deputy Director, Senior

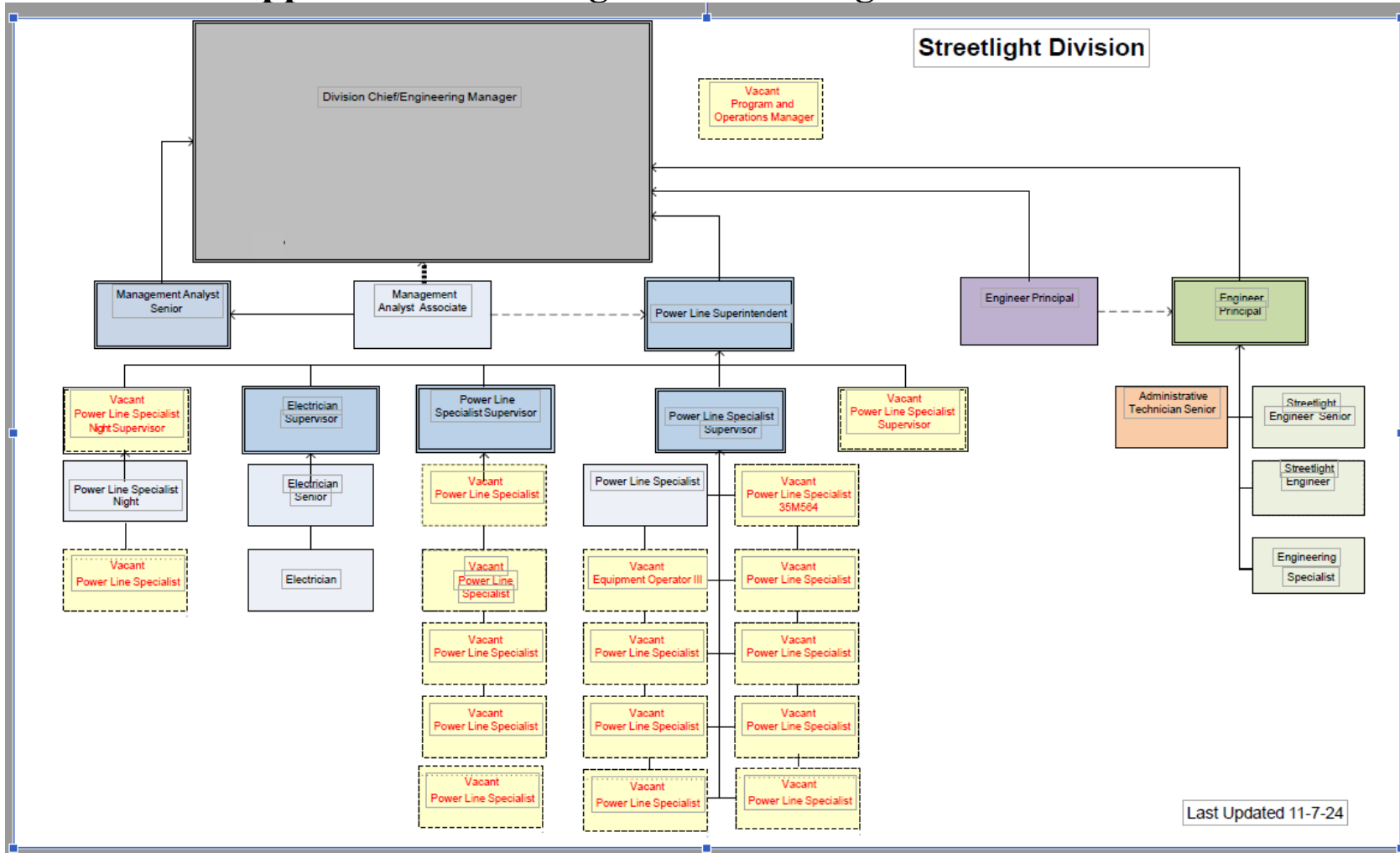


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RECOMMENDATION #7	
<p>We recommend that DPW and DPU Directors ensure that staff responsible for managing contracts and reviewing invoices are properly trained, including invoice verification procedures. Employees designated to review invoices by Contract Administrators should be explicitly trained on what those duties entail, and the Contract Administrator should be responsible for oversight.</p>	
Concur (Yes)/No	Yes
ACTION STEPS	
<i>(Please describe the steps you will take or have taken to address the recommendation)</i>	
<p>The training components for staff roles and responsibilities will be addressed in recommendation 6; The Contract Administrator will include contract management and AP compliance components into the bi-weekly engineering project status meeting for improved oversight purposes and ensured compliance. AP staff will be added to the engineering project status meetings to cover the entire process loop and identify any problems in the process. Discussion among these business component groups are already under way.</p>	
Target Date or Date Implemented	3-1-2025
Title of Responsible Employee	Streetlight Division Administrator



Appendix D: Streetlight Division Organizational Chart



Source: Provided by City staff