



City of Albuquerque
Office of Internal Audit and Investigations
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March 30, 2005

Accountability in Government Oversight Committee
City of Albuquerque
Albuquerque, New Mexico

Audit: Management of Contract with United Transmissions
03-105CITY

FINAL

INTRODUCTION

The Office of Internal Audit and Investigations reviewed the City's contract with United Transmissions/BNT (United). The contract provides Auto/Off-Road Parts and Labor for various divisions and departments in the City. The Solid Waste Management Department (SWMD) and the Transit Department (Transit) are the main users of this contract. For fiscal year (FY) 2004, the City paid \$109,783 to United. In FY2005 the City has paid United \$119,478, through February 16, 2005.

AUDIT OBJECTIVES

The objectives of our audit were to determine:

- Are the costs charged by United in compliance with established contract price agreements?
- Does United provide the records required to support the services provided to the City?
- Has United overcharged the City for services?
- Has the City followed applicable rules, regulations and laws in transactions with United?

SCOPE

Our audit did not include an examination of all the functions, transactions and activities related to the management of the City's contract with United. We reviewed purchases made using contracts with United that were in effect from December 1, 1999 through January 31, 2005. We tested United invoices paid by the City from June 2002 through August 2003. We completed our fieldwork on December 16, 2004.

This report reflects our examination of activities through the completion date of our fieldwork, and it does not reflect events after that date. The audit was conducted in accordance with Government Auditing Standards, except Standard 3.49, requiring an external quality control review.

METHODOLOGY

Our sample was judgmentally selected and included all invoices with a dollar amounts \$3,500 or greater for parts and labor on buses and refuse trucks. We examined a sample of 27 out of a population of 64 invoices. The total dollar amount of the sample was \$166,735 out of a total population cost of \$192,997, or approximately 86% of the dollar amount of the population.

This audit and its conclusions, is based on information provided through interviews, tests and reviews of current procedures.

FINDINGS

The following findings concern areas that we believe could be improved by the implementation of the related recommendations.

1. SWMD AND TRANSIT SHOULD ENSURE THAT GOODS AND SERVICES ARE PROCURED ACCORDING TO CITY PURCHASING RULES AND REGULATIONS.

Our review of charges billed by United covered the period from June 2002 through August 2003. During this timeframe, the City had two contracts with United. Contract A covered the period from December 1999 through January 2003. Contract B covers the period from February 2003 through January 2005. A sample of 27 invoices was judgmentally selected by the auditors for review. Eleven invoices were covered under the terms of Contract A and 16 invoices were covered under the terms of Contract B.

Contract A specifically provided for parts and labor services on automobiles and small pick up trucks with a gross vehicle weight of 10,000 pounds or less. The labor cost stated in the contract was \$40.00 per hour. In February 2003, Contract A was replaced with Contract B. The new contract expanded the scope of the work the United could perform to include "Light, medium and heavy duty transmissions and T. (transmission) cases." The labor rates were set at \$40 per hour for light duty and \$76 per hour for medium and heavy transmissions.

Items purchased using Contract A

On eight of the invoices tested, the parts listed for the transmission did not match the allowable parts as listed in the contract. On six invoices, work was performed on equipment

which was not covered by the current contract with United, two for work performed on buses for Transit; four for work performed on trash haulers for SWMD. This type of work was not covered by Contract A which the City had with United at the time of the work. According to the contract work was limited to parts and labor services on automobiles and small pick up trucks with a gross vehicle weight of 10,000 pounds or less. Since the work performed was not covered by the contract, City Purchasing Rules and Regulations should have been followed for procuring the services.

Items purchased not covered by a contract

Four of the invoices tested for work not covered by the contract were for amounts under \$10,000. The City Purchasing Rules and Regulations state, "A single purchase whose aggregate estimated cost does not exceed \$10,000 may be made by soliciting oral quotes. A minimum of three (3) oral quotes must be solicited by the Purchasing Division. If fewer than three (3) quotes can be obtained, documentation reflecting the efforts made to locate potential offerors will be made a part of the file." "All quotes obtained will be documented and maintained in the procurement file. The following information will be solicited at time of quote: name of vendor, date of quote, amount of quote, person providing quote, exceptions or conditions indicated by vendor, delivery date terms."

Two of the invoices for work not covered by the contract were for amounts over \$10,000. The Purchasing Rules state: "All procurements of goods, services and construction in excess of \$10,000 shall be achieved by competitive sealed bids...."

The City did not follow the applicable Purchasing Rules and Regulations for procuring services not covered by the contract with United. Department personnel stated that they knew from experience that United had the lowest price and provided the quickest delivery dates. However, the departments had no documented proof that they obtained the best prices on the services purchased.

RECOMMENDATION

Although Contract A is no longer in effect, in the future, SWMD and Transit should ensure that goods and services are procured according to City Purchasing Rules and Regulations. SWMD and Transit should ensure that support for the solicitation of quotes is documented in the departments' files.

EXECUTIVE RESPONSE FROM SWMD

“SWMD agrees that all quotes will be documented and filed for future reference.”

EXECUTIVE RESPONSE FROM TRANSIT

“Transit concurs with the recommendation, and took immediate action to correct the issue.”

2. SWMD AND TRANSIT SHOULD KEEP PARTS PRICE LISTS FOR UNITED’S CURRENT CONTRACT.

SWMD and Transit do not have copies of United’s parts price lists. As a result, Transit and SWMD have no means of checking the accuracy of billings from United.

An SWMD manager stated that he requested price lists but United had not been able to provide them. United was also unable to provide price list for the auditors. United stated that the pricing is primarily taken from the internet.

The contract states: “Parts lists (price sheets) must be furnished to the user departments upon request. All updates must be included.” “List price shall be defined as that published in the manufacturers latest national standard printed price list and so recognized by the trade.”

Without price lists the City departments are unable to verify that invoice prices are in compliance with the contract.

RECOMMENDATION

SWMD and Transit should require United to provide price lists. The departments should compare invoiced prices to those on the price lists to ensure that invoices are billed according to contract terms.

EXECUTIVE RESPONSE FROM SWMD

“SWMD agrees that it should have the price list available to check for contract compliance.”

EXECUTIVE RESPONSE FROM TRANSIT

“Transit concurs with the recommendation, and is working with Purchasing on getting copies of citywide contracts.”

CONCLUSION

The Solid Waste Management Department and the Transit Department should strengthen procedures for the review and payment of invoices that are for contract goods or services. The City can avoid paying more than amounts stated in contracts.

We appreciate the assistance and cooperation of the City departments’ management and staff during the audit.

Senior Auditor

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OF
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CITYWIDE
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