City of Albuquerque
Office of Internal Audit
FOLLOW-UP OF THE
FRESH AND CLEAN PORTABLE RESTROOMS, INC.
CITYWIDE VENDOR AUDIT
City Report #21-18-104F
Date: March 11, 2021

INTRODUCTION

The Office of Internal Audit (OIA) issued Audit No. 18-104, *Fresh and Clean Portable Restrooms, Inc. Citywide Vendor Performance Audit Report* on June 27, 2018. OIA has completed a follow-up as of February 25, 2021, to determine the corrective actions that the Chief Administrative Officer (CAO) and Department of Finance and Administrative Service's (DFAS) Purchasing Division (Purchasing Division), have taken in response to the report. The report contains three recommendations, all of which have been implemented and are now considered closed.

BACKGROUND

OIA conducted a citywide vendor performance audit of Fresh & Clean Portable Restrooms, Inc. (Fresh & Clean) for fiscal year 2018. The purpose of the audit was to review and report on Fresh & Clean's billing and insurance compliance for an eight-month period, August 1, 2017 through March 23, 2018. The audit found that City of Albuquerque (City) departments do not sufficiently review invoices from Fresh & Clean for accuracy prior to authorizing payment. Specifically, of the 21 random sample invoices tested, net overcharges and mathematical inaccuracies resulted in estimated overcharges totaling $1,192. In addition, the audit found that the Purchasing Division had not retained documentation confirming that the vendor had obtained insurance upon execution of the contract.

OBJECTIVE

The objective of this follow-up was to determine whether the CAO and the Purchasing Division have taken the corrective actions recommended in OIA's June 27, 2018 audit report. Consistent with Government Auditing Standards, Section 9.08, promulgated by the U.S. Government Accountability Office, the purposes of audit reports include facilitating a follow-up to determine whether appropriate corrective actions have been taken. This follow-up is a non-audit service. Government Auditing Standards do not cover non-audit services, which are defined as professional services other than audits or attestation engagements. Therefore, the CAO and the Purchasing Division are responsible for the substantive outcomes of the work performed during this follow-up and are responsible to be in a position, in fact and appearance, to make an informed judgment on the results of the non-audit service. OIA

limited our scope to actions taken to address our audit recommendations from the final audit report dated June 27, 2018 through the submission of actions on February 25, 2021.

METHODOLOGY

To achieve the objective, OIA:

- Obtained documentary and written testimonial evidence from the Purchasing Division.
- Reviewed documentary evidence to understand and verify the status and nature of the corrective actions taken.
- Verified the status of the recommendations reported as implemented.

RESULTS

Of the three recommendations addressed in the original audit report, all three have been closed. See <u>ATTACHMENT 1.</u>

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ATTACHMENT 1

Recommendation	Responsible Agency	Department Response	OIA Conclusion	OIA Use Only Status Determination
1. The Chief Administrative Officer (CAO) should: - Instruct the Department of Finance & Administrative Services (DFAS) to issue an invoice to Fresh & Clean for the calculated $1,192 overpayment during the audit period, and work with the vendor to calculate any net overbillings for the remaining contract period.	The Chief Administrative Officer	The Purchasing Division coordinated with the Accounting Division to obtain a credit of $1,192 from Fresh & Clean. Please see supporting documentation.	DFAS issued a reimbursement request to Fresh & Clean and on June 20, 2018 DFAS received a reimbursement check from the vendor in the amount of $1,192. The check was subsequently deposited into the City bank account on June 26, 2018. According to management, a review of prior invoices was never performed, however, invoice reviews of potential overpayments will be conducted going forward.	☐ Open ☒ Closed ☐ Contested
2. The CAO should: - Emphasize to all user departments during the Purchasing	The Chief Administrative Officer	In addition to holding monthly Purchasing Liaison User Group meetings the Purchasing Division has embarked on a number of trainings and communications with the end users of the City, as follows: - The Purchasing Division has	DFAS continues to conduct monthly Purchasing Liaison User Group (PLUG) meetings to communicate the importance of reviewing invoices for billing accuracy and contract compliance prior to authorizing payment. During the July 26, 2018 PLUG meeting, Purchasing Division	☐ Open ☒ Closed ☐ Contested

Recommendation	Responsible Agency	Department Response	OIA Conclusion	OIA Use Only Status Determination
Liaison User Group meetings the importance of verifying the accuracy of billing rates and the accuracy of vendor invoice computations prior to authorizing payment. - Rates charged should match the approved contract rates. - The "per unit" rate listed on the invoice should not require various mathematical calculations or assumptions. - Extension amounts should total the quantity ordered multiplied by the		generated a series of weekly communications entitled "Creating a Quality Purchase Order." https://sharepoint.cabq.gov/dfas/purchasing/default.aspx Shared Documents, Purchasing Communications. - The Purchasing Division, Accounting Division, and Enterprise Resource Planning (ERP) have established a Joint Collaborative Team to discuss quality purchase orders, match exceptions, blanket purchase orders, invoice review, receiving, and other critical items that affect our shops. We meet every two weeks on Wednesday to discuss development of coordinated training and guidance for end users. The Purchasing Division prepared a document (using PowerPoint) at the request of a City Department as an overview of the contracting process. The document covers a number of items including the importance of	communicated the importance of reviewing billing rates, extension amounts, and item descriptions on invoices prior to issuing payment. A Joint Collaborative Team was assembled that meets every other week and is composed of Enterprise Resource Planning (ERP), the Purchasing Division, and the DFAS-Accounting Division to boost correspondence regarding purchase orders and invoice components. The Joint Collaborative Team also discusses blanket purchase orders, as appropriate. OIA verified PLUG meetings and Joint Collaborative Team meetings routinely occur by reviewing documentary evidence of scheduled session times, meeting agendas, and meeting presentations in Microsoft Outlook and SharePoint, the City's shared documents electronic database. In addition, DFAS sent a series of electronic communications to DFAS divisions to enhance creating quality purchase orders, and entitled the weekly communications, "Creating a Quality Purchase Order." These communications are found electronically in	

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unit price. - Descriptions on invoices should match contract descriptions. - Determining whether a blanket PO is necessary or appropriate.		reviewing invoices. We plan on recording this presentation for general City use. The Purchasing Division and ERP are working on a new and approved Requisitioner Training that will include 5 different modules (which include invoicing issues). The first is almost complete and ready to roll out.	SharePoint and cover important topics including blanket purchase orders, billing rate units, extensions, and computation accuracies. On September 17, 2020, the Purchasing Division released a PowerPoint training document titled, "Professional Technical (PT) Contract Overview." This training reiterates that invoices must detail rates of services rendered and contain descriptions. The training also covers a number of other items regarding the contract process and emphasizes the importance of reviewing invoices for billing accuracy and contract compliance.	
3. The Department of Finance & Administrative Services (DFAS) – Purchasing Division should verify and retain documentation to confirm that the vendor has obtained insurance upon execution of the contract.	Department of Finance & Administrative Services, Purchasing Division	The Purchasing Division, Risk Management Division, and Department of Technology & Innovation (DTI) have collaborated on the insurance certificate review and tracking tool. Currently, the Purchasing Division and Risk Management Divisions scan insurance certificates to the X: drive. There are also still hard copies coming in through the mail. It makes it difficult to track and confirm coverage, as well as to run reporting on expired	The Purchasing Division now retains documentation to verify and record that vendors have obtained proper insurance coverage. The Purchasing and Risk Management Division receive insurance certificates, review the certificates to ensure insurance has been obtained, and scan the insurance certificate records to the Shared drive storage folder to retain documentation. OIA verified the insurance certificates are retained in the Shared drive storage folder.	☐ Open ☒ Closed ☐ Contested

Recommendation	Responsible Agency	Department Response	OIA Conclusion	<u>OIA Use Only</u> *Status Determination*
		certificates. DTI has worked diligently to set up certificate repository using Onbase to resolve this issue. Insurance certificates will be uploaded into a searchable PDF database, so that they can be searched by vendor name for coverage. The City Clerk's Office Records Division has offered to help with the scanning and upload from both DFAS Divisions. It will soon be a searchable database, complete with the option to run periodic reports to check on expired and expiring certificates. Risk Management plans to also use for IPRA requests for certificates and claims. The Purchasing Division and Risk Management Division are still developing the internal process for the review and notification of vendors. Finally, in our response in 2018, we mentioned that the contract processing flow was still very much a paper-driven manual process that contributed in part to the issues raised in this finding. The City is now using DocuSign for professional services agreements, and	In January 2017, DFAS purchased DocuSign software and since March 2020, DocuSign has been utilized to assist in verifying documentation regarding contracts. DocuSign is an electronic software that facilitates the contracting process by collecting documentation and obtaining signatures from applicable parties. DocuSign starts with a review of all legal contract documents, professional service agreements, insurance coverage certificates, and any documentation relating to the contract is uploaded electronically into DocuSign. DocuSign assists in ensuring that vendors obtain insurance prior to execution of the contract because necessary documentation must be uploaded before the contract is routed to appropriate parties for signatures. In addition, DFAS prepared a PowerPoint training document as an overview of the contracting process and disseminated to all DFAS employees. The training covers a number of items including the detailed process of reviewing insurance certificates to ensure vendors have obtained current valid required coverage.	

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		an electronic routing process that starts with a legal review of contract documents, including insurance coverage and certificates, before contracts are routed through for signatures. We will also be implementing Oracle Fusion soon, which will be an integrated system for supplier management (suppliers can be automatically notified of expiring and missing certificates), sourcing, and contracts management, removing another manual layer from the process.	The City is in the process of implementing Oracle Fusion integrated system for contract management. This will allow vendors to be automatically notified of expiring certificates and contracts. The Oracle Fusion release dates are still under negotiation, but according to DFAS-Purchasing management, the initial training is anticipated to commence in the beginning of 2021 and expected implementation will occur within a month of the initial training. The Purchasing Division has addressed the original audit recommendations and mitigated risks by verifying and retaining documentation to illustrate that vendors have obtained insurance upon execution of the contract.	