



Finance-Internal Audit & Licensing

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Date: June 16, 2011
To: Debra Brewer, Esq., Assistant Director of Purchasing & Contracting
From: Acting Deputy Director of Finance, Internal Audit & Licensing
Subject: Contract Compliance Audit
RE: Cascade Building Systems, LLC- Contract # 761074-09

General Information

Cascade Building Systems, LLC was awarded contract # 761074-09 for the purpose of concrete forming, placing, finishing and wall. The contract period was from October 13, 2009 through August 31, 2010. Cascade Building Systems, LLC was primarily responsible for flat work which included the construction and repair of sidewalks, steps, and driveways.

This audit was requested by DeKalb County's Law Department and Purchasing and Contracting Department, to determine if Cascade Building Systems, LLC complied with contract 761074-09.

Purpose and Scope

The purpose of our audit was to ensure that Cascade Building Systems, LLC adhered to the terms and conditions of the contract.

The scope of our audit was to examine all records for the contractual period, October 13, 2009 to August 31, 2010. We reviewed the contract, invoices, payments, and interviewed County personnel to confirm work completed was in accordance with the "Minimum Specifications" as stated in the contract. Furthermore, we compared billing rates to the price schedule listed in the contract to ascertain that charges did not exceed contractual amounts.

Our review was conducted in accordance with Generally Accepted Auditing Standards and included such tests of records and other auditing procedures as were considered necessary under the circumstances.

Opinion

In our opinion, Cascade Building Systems, LLC did not comply with the terms and conditions of Contract 761074-09 dated November 6, 2009.

Significant Deficiencies and Recommendations

Significant Deficiency I

On some task orders, the number of measurable units billed by Cascade Building Systems, LLC exceeded the measurable units required to complete the job, therefore, inflating total costs by approximately \$104,000. (See Exhibit 1)

Recommendation I

We recommend that the vendor bill the County based on the industry standards and customary rates for each job.

Significant Deficiency II

Some invoices submitted for payment by the vendor were neither itemized nor included documentation to support costs.

Recommendation II

We recommend that the vendor itemize all invoices and provide supporting documentation when submitting invoices to the County.

Significant Deficiency III

As stated per the contractual agreement, “The County reserves the right to inspect any work performed under this contract both at the job site and at successful bidder’s facilities.” The vendor initiated work without prior work authorization from the County and submitted invoices for completed jobs that were not inspected by County personnel. **(See Exhibit 1, Task Order 3)**

Recommendation III

We recommend that the vendor obtain work authorization from the County prior to commencing work. Additionally, upon completion of each job all work must be inspected by County personnel before seeking payment from the County.

Significant Deficiency IV

The County was billed for job tasks such as excavating, demolition and hauling, and traffic control. Purchasing and Contracting and Watershed Management-Construction and Maintenance (user department) confirmed that these cost should be included in the overall cost of the bid price. The contract confirms that “bidders’ unit price must include all materials, labor, equipment, transportation, supervision, payroll additions, necessary incidentals, etc.” **(See Exhibit 2 for Charges)**

Recommendation IV

To ensure best practices and fair pricing, Cascade Building Systems, LLC, should adhere to the task costs submitted during the bid process. Additional costs assumed to be included in the overall bid unit price should not be reimbursed by the County.

Significant Deficiencies V

As per the contractual agreement, “The County reserves the right to reject any work deemed faulty, defective or failing to conform to the Minimum Specifications and/or to consensus standards adopted by both government and industry governing the repairs.” Watershed Management informed Internal Audit that work completed at several locations was not performed according to the “Minimum Specifications” and/or consensus standards adopted by both government and industry governing repairs. On several occasions, Watershed Management personnel requested Cascade Building Systems, LLC to correct rejected/faulty work.

Recommendation V

We recommend that the County ensure the vendor perform work according to industry standards or above. Also, the County may consider withholding payment until work is satisfactory.

Observations and Recommendations

Observation I- Cascade Building Systems, LLC

Internal Audit requested documentation from Cascade Building Systems, LLC to support invoices. Some charges/expenditures submitted were incurred in another county.

(See Exhibit 3)

Recommendation I

The vendor must maintain as stated in the “Option to Audit” section of the contract, “complete records during the life of the contract and for a period of one year after completion of the contract. If such audits reveal overcharges and/or undercharges, such will be adjusted and compensation made by either party to correct charges.” Any expenditures not related to DeKalb County should not be reimbursed by the County.

Observation II-DeKalb County Purchasing and Contracting

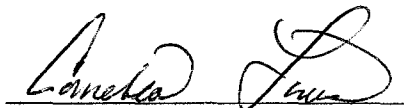
It was brought to the attention of Internal Audit that Cascade Building Systems, LLC services was utilized by another division of Watershed Management Engineering and Technical Services, after it was determined that prior work was not completed in a skillful and competent manner. The cost for these services totaled \$57,330.

Recommendation II

We recommend that Purchasing and Contracting explore the creation of DeKalb County Debarment Listing or Blacklist for vendors/suppliers that perform unsatisfactory or substandard work.

Please feel free to contact us if you have any questions or concerns regarding this audit.

Sincerely,



Cornelia Louis

CL/TG

cc: Richard Stogner, Executive Assistant/Chief Operating Officer
Joel Gottlieb, Chief Financial Officer/Finance Director
William “Ted” Rhinehart, Deputy COO of Infrastructure
Kelvin Walton, Director of Purchasing and Contracting
Angela Afflick, Senior Assistant County Attorney
E. R. Mitchell Jr., Cascade Building Systems, LLC

**Cascade Building Systems
Cost Comparison
Exhibit 1 (Task Order 1)**

No.	Location Address	PO #	Length (ft)	Width (ft)	Depth (in)	Billing Units	Item	Unit Cost	Units Measured by DeKalb Per Site Visit	Measured Units Billed by Cascade	Adjusted Cost Per DeKalb Measurement	Cost for Work Per Cascade	Difference Between Cascade Invoices and DeKalb Adjusted Cost
1	Springrun Dr	761947	17	8.5	6	Sq Yards (SY)	Slab	\$ 56.23	16.1	24.0	\$ 902.80	\$ 1,349.52	
			17			Length (Ft)	Debris and Site	\$ 37.50	17.0	283.0	\$ 637.50	\$ 10,644.00	
			17	8.5	6	Cubic Yards	Demo and Haul	\$ 173.33	2.7		\$ 463.82		
		Subtotal									\$ 2,004.12	\$ 11,993.52	
2	3430 Springlake Dr	761947	15	14	6	Sq Yards (SY)	Slab	\$ 56.23	23.3	3.0	\$ 1,312.03	\$ 168.69	
			15			Length (Ft)	Slab	\$ 37.50	15	25.6	\$ 562.50	\$ 958.00	
			4.5			Length (Ft)	Curb	\$ 19.65	4.5		\$ 88.43		
		Subtotal									\$ 1,962.96	\$ 1,126.69	
3	4036 Lindsey Dr	761947	23	12	6	Sq Yards (SY)	Driveway	\$ 56.23	30.67	23	\$ 1,724.39	\$ 1,293.29	
			23			Length (Ft)	Debris and site	\$ 37.50	23.00	19	\$ 862.50	\$ 712.50	
			9.2	12	6	Cubic Yards	Demo and Haul	\$ 173.00	2.04		\$ 353.69	\$ 933.00	
		Subtotal									\$ 2,940.58	\$ 2,938.79	
4	1204 Columbia Dr	761947	3	2.5	6	Sq Yards (SY)	Slab	\$ 56.23	0.83	4.0	\$ 46.86	\$ 224.92	
			3			Length (Ft)	Debris and site	\$ 37.50	3.00	17.0	\$ 112.50	\$ 637.50	
							Traffic Control					\$ 1,318.00	
		Subtotal									\$ 159.36	\$ 2,180.42	
5	4697 Thompson Mill Rd	761947	21	6	6	Sq Yards (SY)	Slab	\$ 56.23	14	19.0	\$ 787.22	\$ 899.68	
			21			Length (Ft)	Debris and site	\$ 37.50	21	21.0	\$ 787.50	\$ 787.50	
			12	6	6	Cubic Yards	Demo and Haul	\$ 173.00	1.3		\$ 230.67	\$ 982.00	
		Subtotal									\$ 1,805.39	\$ 2,669.18	
6	3639 Sherrydale Lane	761947	12.5	12	6	Sq Yards (SY)	Slab	\$ 56.23	16.67	27	\$ 937.17	\$ 1,518.21	
			12	4	6	Sq Yards (SY)	Sidewalk	\$ 56.23	5.33	12.6	\$ 299.89	\$ 712.50	
			24.5			Length (Ft)	Debris and site	\$ 37.50	24.50		\$ 918.75		
			13	12	6	Length (Ft)	Demo and Haul	\$ 173.00	2.89	5.1	\$ 499.78	\$ 893.00	
		Subtotal									\$ 2,655.59	\$ 3,123.71	
7	5873 Farington Farms Ln	761947	9	4	4	Sq Yards (SY)	Sidewalk	\$ 41.82	4.00	7.00	\$ 167.28	\$ 292.74	
			9			Length (Ft)	Debris and site	\$ 37.50	9.00	14.00	\$ 337.50	\$ 525.00	
		Subtotal									\$ 504.78	\$ 817.74	
Total											\$ 12,032.77	\$ 23,987.63	\$ (11,954.86)

**Cascade Building System, LLC
Cost Comparison
Exhibit 1 (Task Order 3)**

No.	Location Address	PO #	Length (ft)	Width (ft)	Depth (in)	Billing Units	Item	Unit Cost	Units Measured by DeKalb Per Site Visit	Measured Units Billed by Cascade	Adjusted Cost Per DeKalb	Cost for Work Per Cascade	Difference Between Cascade Invoices and DeKalb Adjusted Cost
1	3454 Fox Hound Road ¹	762710				Sq Yards (SY)	Slab	\$ 56.23	0.0			\$ 1,012.14	
						Length (Ft)	Debris and Site	\$ 37.50	0.0			\$ 6,966.00	
		Subtotal											
2	3902 Northstrand Drive	762710	28	18	6	Sq Yards (SY)	Slab	\$ 56.23	56.0	19.00	\$ 3,148.88	\$ 1,068.37	
			28			Length (Ft)	Debris and Site	\$ 37.50	28.0	1.00	\$ 1,050.00	\$ 9,004.00	
		Subtotal											
3	1706 Candler Road	762710	10.5	6	4	Sq Yards (SY)	Sidewalk	\$ 41.82	7.00	9.00	\$ 292.74	\$ 376.38	
			10.5			Length (Ft)	Debris and Site	\$ 37.50	10.50	1.00	\$ 393.75	\$ 7,921.00	
		Subtotal											
4	2982 McAfee Road	762710	16	15	6	Sq Yards (SY)	Slab	\$ 56.23	26.67	12.00	\$ 1,499.47	\$ 674.76	
			16			Length (Ft)	Debris and Site	\$ 37.50	16.00	1.00	\$ 600.00	\$ 13,131.00	
		Subtotal											
5	2401 Crestdale Circle	762710	24	22	6	Sq Yards (SY)	Slab	\$ 56.23	58.67	23.00	\$ 3,298.83	\$ 1,293.29	
			6	11	6	Sq Yards (SY)	Slab	\$ 56.23	7.33	1.00	\$ 412.35	\$ -	
			30			Length (Ft)	Debris and Site	\$ 37.50	30.00		\$ 1,125.00	\$ 9,857.00	
Subtotal											\$ 4,836.18	\$ 11,150.29	

¹ Project was excluded from the contract, but work was performed by Cascade without County authorization

Total	\$ 11,821.02	\$ 51,303.94	\$ (39,482.92)
Grand Total of Task Orders			<u>\$ 103,913.97</u>

DeKalb County, Georgia
Cascade Building Systems, LLC
Invoices/Charges Submitted
Exhibit 2

DeKalb County-Third Party Invoices/Charges

Invoice Date	Invoice #	Vendor	Amount Paid
12/7/2009	806026508	Ready Mix-USA	\$ 775.75
11/23/2009	1	Stone Mt. Dump Trucks	\$ 1,346.20
12/14/2009	806027114	Ready Mix-USA	\$ 1,551.50
12/10/2009	806026804	Ready Mix-USA	\$ 775.75
12/7/2009	806026650	Ready Mix-USA	\$ 783.00
12/15/2009	806027454	Ready Mix-USA	\$ 300.70
12/03/009	5469321	Lummus	\$ 145.55
12/4/2009	5469881	Lummus	\$ 262.96
4/22/2010	419165	Block USA	\$ 132.50
	JANUARY	Peter Zappasodi	\$ 914.00
4/23/2010		Alfonso Fonseca	\$ 250.00
4/23/2010		Francisco Fonseca	\$ 1,025.00
4/23/2010		Preston Hardnett	\$ 1,025.00
4/23/2010		Salvador Ordaz	\$ 200.00

Total Invoices/Charges for DeKalb County **\$9,487.91**

Charges Without Documentation

Invoice Date	Invoice #	Vendor	Amount Paid
3/17/2010		Odis Williams	\$ 2,000.00
5/1/2010		Odis Williams	\$ 500.00
5/27/2010		Odis Williams	\$ 10,000.00
6/16/2010		Odis Williams	\$ 3,500.00
		Odis Williams	\$ 19,000.00
10/6/2010		Odis Williams	\$ 2,500.00
11/13/2009		Pete Zappasodi	\$ 300.00
1/11/2010		Pete Zappasodi	\$ 200.00
4/21/2010		Pete Zappasodi	\$ 300.00
5/14/2010		Pete Zappasodi	\$ 300.00
6/17/2010		Pete Zappasodi	\$ 250.00
3/10/2010		CP Richards	\$ 3,000.00
2/2/2010		David Crabbe	\$ 3,000.00
3/23/2010		Sergio Trejo	\$ 1,500.00
11/9/2009		Ready-Mix USA	\$ 2,196.72
11/17/2009		Ready-Mix USA	\$ 351.00
1/28/2010		Ready-Mix USA	\$ 834.84

Total Charges Without Documentation **\$49,732.56**

Summary of Invoices/Charges Submitted by Cascade Building Systems, LLC.

Third Party Invoices/Charges for DeKalb County	\$9,487.91
Total Charges Without Documentation	\$49,732.56
Insurance Charges	<u>\$9,181.58</u>
Total Cost not Included in Bidders Unit Price	<u>\$68,402.05</u>
Third Party Invoices for another County (See Exhibit 3)	\$22,015.27
Total Amount not Due to the Vendor	<u>\$90,417.32</u>

**DeKalb County, Georgia
Cascade Building Systems, LLC
Invoices/Charges Submitted
Exhibit 3**

Fulton County-Third Party Invoices

Invoice Date	Invoice #	Vendor	Amount Paid
12/4/2009	806026291	Ready Mix-USA	\$ 3,159.00
12/15/2009	806027442	Ready Mix-USA	\$ 246.95
11/30/2009	806026144	Ready Mix-USA	\$ 286.43
12/1/2009	806026020	Ready Mix-USA	\$ 1,086.48
11/24/2009	806025744	Ready Mix-USA	\$ 632.88
11/27/2009	80602571	Ready Mix-USA	\$ 812.16
12/17/2009	806027355	Ready Mix-USA	\$ 1,265.23
11/9/2009	F31140	Yancey Cat Rental	\$ 427.00
11/9/2009	F31138	Yancey Cat Rental	\$ 2,430.00
11/30/2009	F3151801	Yancey Cat Rental	\$ 1,586.00
11/30/2009	F31591	Yancey Cat Rental	\$ 2,084.00
11/30/2009	F3166801	Yancey Cat Rental	\$ 1,309.18
12/4/2009	F3113802	Yancey Cat Rental	\$ 2,420.00
12/8/2009	F3114102	Yancey Cat Rental	\$ 549.00
12/15/2009	F3166802	Yancey Cat Rental	\$ 128.96
12/23/2009	F3151802	Yancey Cat Rental	\$ 1,586.00
1/11/2010	F3114003	Yancey Cat Rental	\$ 420.00
1/22/2010	F3151803	Yancey Cat Rental	\$ 1,586.00

Total Invoices for Fulton County

\$ 22,015.27