



Finance – Internal Audit & Licensing
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Acting Deputy Director of Internal Audit & Licensing

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August 31, 2011

TO: Ted Rhinehart, Deputy Chief Operating Officer for Infrastructure
FROM: Acting Deputy Director of Internal Audit & Licensing
SUBJECT: Contract Compliance Audit – DeKalb County Contract #06-900363
RE: Silverman-Steele A Joint Venture, LLC

GENERAL INFORMATION

On November 8, 2005, DeKalb County voters enacted a \$230 million Bond Referendum. The bond would provide funding for parks/greenspace, libraries, and transportation projects. The County is responsible under the bond referendum to make principal and interest payments from the levy of a direct annual ad valorem tax, upon all taxable property, including real property, within the limits of the Special Recreation Tax District. A total of \$96,460,000 was appropriated from the “aggregate principal amount of the Bonds for the purpose of acquiring, constructing, renovating, and equipping certain parks and greenspace projects.”

Recreation, Parks, and Cultural Affairs Department solicited services through a Request for Proposal (RFP), 06-500010, “to facilitate the development and administration of the Park Bond Program”; approximately \$60,000,000 was allocated for bond development. On June 27, 2006, the DeKalb County Board of Commissioners (BOC) approved the recommendation to award the contract (06-900363) to Silverman-Steele A Joint Venture, LLC (SSJV). SSJV will provide, in accordance with the RFP, program and construction management services for the Parks Bond Program. The total monetary obligation under the contact should not exceed 7.45% of \$60,000,000.

PURPOSE & SCOPE

The purpose of the audit was to ensure Silverman-Steele A Joint Venture, LLC is in compliance with the DeKalb County contract (#06-900363) for professional services. The contract period is from August 19, 2006 to August 17, 2011. Per Change Order No.2 (dated November 10, 2010), the contract period was extended to December 31, 2012. Internal Audit (IA) reviewed the contract and invoices submitted by Silverman-Steele A Joint Venture, LLC (SSJV) for reimbursement to DeKalb County.

Our audit covered the period of January 1, 2009 through December 31, 2010.

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, Silverman-Steele A Joint Venture, LLC did not fully comply with the terms and conditions of the contractual agreement.

SIGNIFICANT DEFICIENCY

Invoices submitted by SSJV did not itemize the hourly rate charges and documentation was not provided to support the cost of reimbursables. The contract states that "Upon receipt of Work Authorization Form(s), the Consultant will provide services in accordance with the costs as reflected in Attachment A." Attachment A is the cost proposal, which lists billable hourly rates and the billable rate of reimbursables for SSJV.

As stated by SSJV regarding the lack of documentation to support charges on the invoices, "all work authorizations, reimbursables, and billing processes were approved by the user department's Director and Assistant Director."

Also, reimbursables submitted to DeKalb County exceeded the contractual agreement amount of 1.1 times actual expenses. Reimbursables submitted range from 1.5 to 2.5 times the monthly fee on the invoices. The Cost Proposal of the contractual agreement states, "reimbursables (only mileage and reproduction costs will be allowed) mileage shall be billed at rates paid by proposing company to employees and reproduction costs will be billed at 1.1 (sic, percent) times actual expense".

SSJV informed Internal Audit that they "utilized a standard practice of charging 1.5% of the fees for reimbursable plus mileage. In 2009, they increased that to 2.5% on projects that began after January 2009. The purpose of this method was to minimize the clerical and management time spent to account for the reimbursable and stay well under the allowed amount for reimbursable."

Based on the invoices submitted by SSJV, we could not determine the billable hours, reproduction costs, and mileage incurred for each project to ensure compliance of the contractual agreement.

RECOMMENDATION

In order to verify billable hours and reimbursables, we recommend that all invoices submitted to the County for reimbursement include supporting documentation that represent the hours, reproduction costs, and mileage outlined in the Cost Proposal.

Also, we recommend that SSJV adhere to the contractual agreement by charging 1.1% times the actual expense instead of SSJV's company standard practices and procedures.


AUDITEE RESPONSE

Subsequent to Work Authorizations submitted, "invoicing will be clearly defined and agreed to by all end user Directors." SSJV concurred with our recommendation regarding reimbursables. As of September 1, 2011, "mileage will be billed at the IRS current rate and reproduction costs will be billed at 1.1 times actual expense.

COMMENTS

An audit clause is not included in the County's professional services contract. The primary purpose of an audit clause is to allow or reserve the customer (DeKalb County) the right to audit and inspect work performed by the vendor. The County can appoint a representative; external or internal auditor to verify the tasks related to the project to ensure it was performed in accordance with the terms of the contractual agreement.

It was noted that there is a standard audit paragraph included in Invitation to Bid (ITB) for commodities. Purchasing and Contracting personnel stated that they will seek an explanation concerning the omission of the audit clause in the professional services contract; then, contact the "Department of Contract Administration Division and Law Department to take steps to have it included as needed."



Cornelia Louis

CL/AW

cc: Commissioner Jeff Rader, District 2
Richard Stogner, Chief Operating Officer/ Executive Assistant
Joel Gottlieb, Finance Director/Chief Financial Officer
Kelvin Walton, Director of Purchasing and Contracting/Chief Procurement Officer
Roy Wilson, Director of Recreation, Parks, and Cultural Affairs
Arnold Silverman, Silverman-Steele A Joint Venture, LLC
Jacqueline Steele, Silverman-Steele A Joint Venture, LLC