



CITY OF WINSTON-SALEM REPORT ON THE STREET SWEEPING CONTRACT

For the 6 Months Ended June 30, 2017

Submitted by:
Office of Performance and Accountability
Internal Audit Division
October 2017

Overview of Independent Contractor Agreement

Effective April 9, 2012, the City of Winston-Salem (City) entered into an independent contractor agreement with Sweeping Corporation of America, Inc. (Contractor) for street sweeping services for the period of July 1, 2012 through June 30, 2013 with the option to extend annually for as many as four additional terms providing funds are made available and the City and Contractor agree. The Street Sweeping Contract requires the Contractor to provide all labor, materials, equipment, supervision, insurance, and applicable permits as well as abide by all local, state and federal codes, laws, regulations, and ordinances. The contract was extended for the full four additional terms.

Per the contract agreement, the City provides a designated individual to help coordinate sweeping, verify work has been completed as scheduled, and handle problems that may arise in areas of the City's responsibilities, such as removal of abandoned or parked automobiles and coordination of special events' clean-up. The Department of Transportation's Streets Division serves as the City administrator for this contract. A Construction Inspector from the Streets Division acts as the designated individual.

Overview of Operations

The Contractor has an on-site general manager, an office assistant, a full-time mechanic, and seven sweeper drivers. The Contractor utilizes vacuum or regenerative air type sweepers, which are required to be equipped with a Web-based monitoring system. Three sweepers are assigned to the City and are stored at a local facility. The City is provided with password access to the contractor's Web-based monitoring account in order to confirm work locations, mileage claims, disposal locations, and sweeping times.

Street sweeping occurs between the hours of 7:00 a.m. and 7:00 p.m. (Monday through Friday). Street sweeping may be allowed on Saturdays to offset days not worked due to inclement weather or equipment downtime. The Central Business District is swept on Wednesday evenings beginning after 10:00 p.m. All required sweeping is to be completed in accordance with the routing schedule per the contract. The annual contract does not exceed 5,800 miles.

Scope of Audit Procedures Performed

The contract audit concentrated on operations and transactions occurring between January 1, 2017 and June 30, 2017. Emphasis was placed on the contractor's delivery, daily reports, amounts invoiced, and the effectiveness of City administration. Daily report testing focused on route logs and GPS data activity for accuracy, completeness, and compliance in adherence to the contract agreement terms. GPS data activity testing occurred outside of the audit period due to limited historical data. The Web-based monitoring system maintains historical GPS data activity for up to 90 days; therefore, the auditor judgmentally examined 40% of the obtainable GPS data activity reports. Statistical sampling methods were used (90% confidence level with a 10% margin of error) for daily report testing. Amounts invoiced were also examined for accuracy, completeness, and compliance. The auditor judgmentally selected 50% of the total invoices within the audit period. A total of 12 invoices, 20 GPS data activity reports, and 56 daily reports were tested. The overall internal control structure was considered; however, effectiveness of internal control procedures was not tested.

Testing procedures focused on the following attributes:

- Invoice was provided to the City no more or less than once every 30 days.
- Invoice agreed to the City Financial Management System and was properly approved.
- Contractor submitted the daily reports to the City the following morning by 8:30 a.m.
- Daily report mileage was approved and agreed to the invoiced mileage.

- Daily report agreed to the GPS data activity report within the Web-based monitoring system.
- Maximum sweeping speed did not exceed ten miles per hour.
- Sweeping was completed between the hours of 7:00 a.m. and 7:00 p.m. (Monday through Friday).
- The Central Business District was swept Wednesday evenings, beginning after 10:00 p.m.
- Daily activity was verified by City Administration.

Definition of Contract Provisions

The following provisions for the Independent Contractor Agreement were verified:

- The Contractor shall complete the schedule of sweeping as required by the agreement.
- The Contract shall be paid per curb mile and based on a performance requirement of 112 curb miles/week of streets swept.
- The Contractor shall maintain a local maintenance facility and back-up equipment.
- The Contractor shall obtain safety inspections of all equipment as required by law and maintain valid licenses and inspection stickers as required by law.
- The Contractor shall comply with all legal requirements including drug testing to insure employees maintain valid license and certifications.
- The Contractor shall obtain Commercial General Liability Insurance not less than \$1,000,000 for: (a) bodily injury and (b) property damage; and shall include coverage of personal injury, property, and special and consequential damages; Automobile Liability Insurance or Comprehensive General Liability Insurance for bodily injury and property damage not less than \$1,000,000 combined; and Workers' Compensation Insurance as required by the North Carolina General Statutes.
- The Contractor shall equip all vehicles with a Web-based monitoring system.
- The Contractor shall not exceed 5,800 miles annually, unless mutually agreed to by both parties and the contract is amended accordingly.
- The Contractor shall utilize Vacuum or Regenerative Air Type equipment with a factory installed dust suppression system and one spare sweeper of the same size or larger capacity.

Findings

1. *Web-based monitoring system of vehicles (sweepers) were not in operation as required.*

Per the contract agreement, the Contractor is required to equip all vehicles used in conjunction with the contract with a Web-based monitoring system. The City is to be provided password access to the contractor's account in order to confirm work locations, mileage claims, disposal locations, and sweeping times.

The Contractor utilizes a Verizon Network Fleet System for Web-based monitoring of real time GPS tracking of vehicles. The City is assigned three sweepers. One sweeper utilized for City street sweeping services was incorrectly assigned to Nashville, Tennessee within the Web-based monitoring system for at least two years. Additionally, at least two sweepers were offline for approximately two months within the Verizon Network Fleet System. These errors resulted in the inability for the City to utilize real-time GPS tracking and/or generate historical GPS data activity reports.

The Contractor is also required to have adequate back-up equipment to ensure timely and continuous fulfillment of the contract. A spare sweeper's GPS system was inoperative for approximately three months.

For compliance purposes, it is recommended for the Contractor to ensure the Web-based monitoring system of all vehicles used are in operation and assigned to the proper location for GPS data activity tracking capabilities.

Contractor Response: To be sure the GPS system is working properly, they will be checked every day before sweeping begins. If there is a GPS system not working, it will be addressed immediately and truck will not be dispatched.

2. Seven historical GPS data activity reports were unobtainable.

Per the contract agreement, the Contractor is required to utilize a Web-based monitoring system on all vehicles. As a minimum requirement, the system must provide the following capabilities:

- Real time GPS tracking of vehicles with a maximum update time of three minutes.
- Historical GPS data by vehicle for a minimum of 60 days.
- Speed monitoring of vehicle.
- Report capability on demand to provide activity data, routes, start/stop times and locations, idle times, and speed records by day or route.
- Password access by the City to a Web-based monitoring system allowing City managers unlimited access to real-time data or historical data and reports for contractor vehicles assigned to the sweeping contract.

Seven of the GPS data activity reports selected within the minimum 60 day historical GPS data requirement were unable to be obtained from the Web-based monitoring system.

For compliance purposes, it is recommended for the Contractor and designated City employee to ensure the Web-based monitoring system is capable of providing the minimum requirements as stated within the contract agreement and to document when system errors may occur.

Contractor Response: Do a periodic system check assuring that GPS system is working correctly for a 60-day historical data.

Contract Administrator Response: The GPS monitoring system for the contractor was not originally working properly. As a result of providing information for audit, the Contractor's GPS system is now working accurately. As such, the project inspector is reviewing GPS data daily to confirm that the system continues to function. Data activity reports can be retrieved electronically by the inspector up to three months back. Any further data retrieval is obtained by email from the Contractor. The project inspector fully realizes the importance of reporting if the GPS system is not working. The Contractor understands that payments will not be made if work activities cannot be properly verified.

3. Twelve daily reports do not agree to the GPS data activity reports.

Per the contract agreement, the Contractor is required to fulfill the route schedule as specified. Internal Audit noted 34 streets dated as complete on the daily reports that were not supported by the GPS data activity reports within the Web-based monitoring system.

For compliance and completeness purposes, it is recommended for the Contractor and designated City employee to ensure the completed daily reports agree to the GPS data activity within the Web-based monitoring system and to document if system errors occur.

Contractor Response: With the GPS systems functioning properly, the GPS data will support daily data.

Contract Administrator Response: The project inspector receives reports daily and compares these reports to GPS data. Before the audit, the GPS system was not working accurately. Discrepancies are now

being reported to the Contractor who is then required to either have the sweeping truck revisit the route or remove from reports until visits can be confirmed.

4. Daily reports submitted by the Contractors to the City do not contain times work was performed.

Per the contract agreement, the Contractor shall submit daily reports which contain the following information: date, equipment and personnel used, location swept, and times work was performed. The Contractor submits daily reports that contain the date, equipment and personnel used, and location swept. The times that work is performed are not included on the daily reports.

For compliance and completeness purposes, it is recommended that the Contractor adds the times work is performed to the daily reports.

Contractor Response: Production Reports with the information needed for times work was performed will be submitted along with the daily route sheets.

5. Four sweeping routes occurred outside the hours of operation specified in the contract.

Per the contract agreement, street sweeping shall take place between the hours of 7:00 a.m. and 7:00 p.m. (Monday through Friday) for all routes except for the Central Business District. The Central Business District shall be swept on Wednesday evenings beginning after 10:00 p.m. Per the Web-based monitoring system, one route began at approximately 5:00 a.m. and three Central Business District routes began before 10:00 p.m. with one of the three taking place on a Thursday.

For compliance purposes, it is recommended that the Contractor completes the scheduled routes in the time frames required by the contract agreement and to document alterations that may occur.

Contractor Response: All sweeps starting time for Monday through Friday will not begin until 7:00 a.m. All central business district sweeps will not start before 10:00 p.m. on Wednesday. If the central business district cannot be swept due to weather, the city inspector will be notified and will be asked if we can proceed on Thursday.

6. Fifty-two daily reports were not submitted the following morning by 8:30 a.m.

Per the contract agreement, the Contractor shall submit daily reports by fax or email the following morning by 8:30 a.m. At the end of each business day, the Contractor completes daily reports that contain the following information: date, equipment and personnel used, and location swept. As previously stated, times work was performed are not included. Daily reports are submitted to the designated City employee.

For compliance purposes, it is recommended that the Contractor submits complete daily reports, including times work was performed, to the designated City employee the following morning by 8:30 a.m.

Contractor Response: Daily reports will be submitted by 8:30 a.m.

7. Fifteen GPS data activity reports show the Contractor exceeding the maximum sweeping speed of ten miles per hour on multiple streets.

Per the contract agreement, the maximum sweeping speed shall not exceed ten miles per hour. GPS data activity reports showed various routes exceeding the required sweeping speed ranging from one to fourteen miles per hour over the maximum limit.

For compliance purposes, it is recommended for the Contractor to sweep at a speed that does not exceed ten miles per hour.

Contractor Response: All drivers will be notified and made clear that sweeping speed will not exceed 10 miles per hour.

Observations and Recommendations

1. *Insufficient verification of work that has been completed as scheduled.*

Per the contract agreement, the City will provide a designated individual that will help coordinate sweeping and verify that work has been completed as scheduled.

The designated City employee compares the mileage of the daily report to the invoiced mileage to ensure completeness; however, the streets completed on the daily report are not verified within the Web-based monitoring system. Lack of verification may result in misrepresentation of streets completed on the daily reports and failure to recognize and timely correct errors within the Web-based monitoring system.

It is recommended for the designated City employee to verify completion of routes through the Web-based monitoring system and to document other verification methods performed such as physically following the sweepers' routes the day of or day after.

Contract Administrator Response: The project inspector receives reports daily and compares these reports to GPS data. Before the audit, the GPS system was not working accurately. Discrepancies are now being reported to the Contractor who is then required to either have the sweeping truck revisit the route or remove from reports until visits can be confirmed.

2. *Schedule of Sweeping is not completed as required by the agreement.*

The specifications for street sweeping services within the contract agreement contain a required routing schedule to be completed by the Contractor. There are four scheduled routes: downtown (Central Business District), three times per year, four times per year, and five times per year. The routing schedule is swept as follows:

- Central Business District on a weekly basis
- Three times per year in March, June, and November
- Four times per year in January, April, August, and October
- Five times per year in February, May, July, September, and December


Three routes examined were altered by a maximum of one week prior to the schedule required by the agreement. It was stated that alterations can occur due to inclement weather or when the sweeper drivers request to begin early.

It is recommended that all occurrences of routing schedule changes are properly approved and documentation is maintained.


Contract Administrator Response: There are occasions and during events where staff may request sweeping of routes out of sequence such as before the "National Black Theatre Festival" or by citizen concern. The Contractor may also have occasions where they may request to begin a route sooner than is in the contract to avoid disruptions due to road closures or other events. The inspector and Contractor are now documenting these occasions by email. The inspector is also documenting in his daily log or diary.

Auditor note: *To clarify, City practices described within the response sections are recent procedural changes implemented in reaction to the audit.*

Respectfully submitted,



Francesca A. Adams
Internal Auditor



Heather D. Smith
Internal Audit Administrator

Distribution
Gregory Turner
Toneq` McCullough
Kevin Bogardus
Ben Rowe
Scott Tesh