



GARLAND

INTERNAL AUDIT

Big Bass Wrecker Contract Compliance Follow-up

August 16, 2016

Report 201622

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Overall Conclusion

IA's review of previous audit findings and recommendations revealed that four (4) recommendations were fully implemented and one (1) recommendation was not implemented.

Authorization

We have conducted a follow-up audit of Big Bass Wrecker Contract Compliance Audit. This audit was conducted under the authority of Article VII, Section 5 of the Garland City Charter and in accordance with the Annual Audit Plan approved by the Garland City Council.

Objective

This is a follow-up of the "Big Bass Wrecker Contract Compliance Audit" report issued on June 17, 2015. Our objective was to determine if previous audit recommendations were implemented.

The original objectives were:

1. Determine the accuracy of fees assessed by Big Bass Towing, Inc. in compliance with City Ordinance and Contract. (This would include notification, impound, daily storage, or any applicable fees.)
2. Determine the accuracy, completeness and timeliness of Big Bass payment and reporting in accordance with the Contract.
3. Determine compliance with the insurance and performance bond requirements per the Contract.
4. Determine compliance with the Contract regarding background checks and ensure vehicles are not towed or released without City approval.

Scope and Methodology

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The scope of the audit is from June 17, 2015 through June 30, 2016.

In order to determine if previous recommendations were implemented, IA:

- Reviewed Texas Transportation Code, TDLR Storage Facility Rules, Texas Occupations Code, Big Bass Contract (The Contract) and City of Garland Ordinance (Sec. 26.02)

- Performed a gap analysis for control numbers listed in the Police Department's computer
- Reviewed a sample of towing and payout receipts
- Reviewed a sample of monthly reconciliations and associated payments (including auction support)
- Obtained and reviewed insurance documentation
- Reviewed the City's general ledger for payments made by Big Bass
- Observed the documentation related to background checks

Background

The City of Garland owns the impound lot and storage facility located at 1630 Commerce Street. The City has entered into an agreement with Big Bass to provide wrecking, towing, impounding and storage on the City's behalf. Big Bass is required to provide towing services 24 hours a day, seven days a week, 365 days per year. The current Contract has been in place since 12/16/2010 and had a 2 year term. Both of the two optional renewals were executed, therefore, the Contract is set to expire on 12/16/2016.

When the need arises for a vehicle to be towed, departments will contact Police Dispatch. They issue a control number that is given to Big Bass to tow the vehicle. Per the Contract, Section 1 – Provision of Towing and Wrecking Services, "No vehicle shall be towed by Operator under this Contract unless a representative of the City is at the scene of the hookup." Big Bass will pick up the vehicle from the location and drop it off at the City's impound lot. In order to be retrieved from the lot, an officer must authorize release and the customer must pay all associated fees to Big Bass. Although amounts can vary, the typical fees paid by customers include a daily storage fee and certified letter fee (which is remitted to the City on a monthly basis) and a towing and impound fee (both retained by Big Bass).

All Big Bass employees that perform services for the City of Garland must be approved by the Police Department before they begin work. The Police Department will run a background check on all potential employees and an acceptance or denial of the driver will be given to Big Bass' management.

Big Bass should provide daily intake and release reports to the Police Department. All receipts should be included as support. Using these reports, the Police Department updates the related records in their system. Additionally, Big Bass should provide monthly summary and inventory reports to the Police Department.

The Police Department sends the monthly list of vehicles to be auctioned to Big Bass. Once the auction is complete, payment is sent directly to the Purchasing Department by Joe Pippin Auctioneers, LLC. This was outside of the scope of our audit, so we did not review this process in detail.

Payment for storage fees and certified letter fees owed to the City must be remitted by Big Bass to the Police Department by the 25th day of the following month. This payment will be

less all towing and impound fees related to auctioned vehicles that are owed to Big Bass and any other adjustments.

Source: Towing Service and Impound Vehicle Storage Facility Contract (Big Bass Towing, Inc.)

Audit Follow-up

This follow-up audit was not intended to be a detailed study of every relevant system, procedure and transaction. Accordingly, the Follow-up section presented in this report may not be all-inclusive of areas where improvement might be needed.

The following results for each finding are as follows:

FINDING #1	
CONDITION (THE WAY IT IS)	<p>Background checks and drug testing for Big Bass employees was not consistently performed prior to when they began performing services under the Contract and/or documentation was not consistently retained by the City.</p> <ul style="list-style-type: none">• Through IA's sampling of 30 towing receipts from October 1 – December 31, 2014 (See Exhibit A) and the population of current employees provided by Big Bass as of 2/18/2015, IA found at least nine employees who towed vehicles for the City of Garland prior to having a background check completed. As of 3/17/2015, there were three active Big Bass employees performing under the City's Contract that did not have a background check on file with the Police Department.• Denial was given by the Police Department for a Big Bass driver to perform towing services on the Contract; however he still towed vehicles for the City.• IA was unable to obtain evidence that annual background checks were performed by the Police Department. Based on conversations with the Police Department, background checks were run in October 2014 for all current Big Bass employees due to the acquisition of Lindy Lott and Marion Services, but documentation was not retained.• Approval/denial notifications sent to Big Bass regarding the right of Big Bass drivers to tow for the City of Garland is not consistently maintained.• IA was unable to obtain evidence that drug testing was performed. Per Big Bass, all employees had a pre-employment drug test and annual drug tests performed.

RECOMMENDATION

The Police Department should:

- Ensure that all drivers who are currently towing have a background check completed and documentation on file. Conduct random checks of towing receipts to confirm which drivers are towing for the City.
- Develop a mechanism to ensure that background checks are performed annually. Retain all related documentation.
- Maintain all approval and denial notifications sent to Big Bass regarding the right of Big Bass drivers to tow for the City of Garland.
- Consider adding a requirement to the Contract when the next bid is awarded that Big Bass maintains drug testing documentation and provides to the City when requested. Ensure that documentation related to all pre-employment and annual drug testing is maintained in each employee file.

**MANAGEMENT
RESPONSE**

Concur. A list of employees was given to the police department in October 2014 – all employees on this list had a background check. It was incumbent on Big Bass to provide the PD with an accurate list. Language will be added to the contract to enforce this issue.

ACTION PLAN

- A random check of tow records will be conducted to verify the employee list. The PD will work with Big Bass to maintain an updated employee list. Add a clause in the contract that failure to notify the PD of changes in personnel could be subject to penalty including termination of the contract.
- The PD will conduct background checks on all employees annually on a predetermined date. Random background checks will be conducted at least one other time each year.
- Approval and denial requests are currently maintained in each employee's file with notation regarding a pass or fail status. However, CCH records will be destroyed immediately after they are reviewed for approval.

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- The PD will work with Purchasing to add the appropriate language to the contract in reference to drug testing requirements. The PD will also work with Big Bass to collect this information after the drug tests are performed. A random check on drug testing results will be conducted at least once per year.

**IMPLEMENTATION
DATE**

- All actions to verify backgrounds and drug testing requirements will begin immediately.
- Verbiage added to the contract will be done at the expiration of the current contract – December 16, 2016.

FOLLOW-UP

IA reviewed a sample of towing receipts during our scope (Exhibit A) and found that all individuals who towed were confirmed to have timely background check(s) performed.

Additionally, IA confirmed that there is a process in place to ensure all background checks are performed annually. Evidence of drug testing is not regularly obtained by the department, but can be obtained from Big Bass upon request.

We were not able to test the contract requirements as a new contract will not be in place until December 2016.

IMPLEMENTATION

Fully Implemented

FINDING #2

**CONDITION
(THE WAY IT IS)**

Payments by Big Bass were not made to the Police Department in a timely manner. During the scope of the audit, 24 out of 28 monthly payments (85%) were made after the 25th day of the following month. 11 of these 24 (46%) were more than 2 weeks late; resulting in payments delayed as many as 49 days.

There are no provisions in the Contract to assess late fees.

RECOMMENDATION

The Police Department should:

- Reevaluate the due date of payments with consideration to the auction date.
- Consider adding in a late fee penalty clause to the Contract the next time it is bid out in order to encourage timely payments.

**MANAGEMENT
RESPONSE**

Concur. Payment is affected by the date of the auction. The selected payment date should take into account the time delay associated with payments from the auctioneer to the City and the time that is required to process payments from Big Bass.

ACTION PLAN

Update the language in the contract in reference to payment dates. Also include language that states the vendor is subject to late fees in the event payments are late on a regular basis. The PD will work with Purchasing to coordinate dates that will help address this issue and include that information in the contract.

**IMPLEMENTATION
DATE**

This should be implemented at the expiration of the current contract, December 16, 2016.

FOLLOW-UP

Internal Audit's review of all payments made between the audit report date and present, showed that none of the payments by Big Bass were made on time. The average delay was 21.5 days. Since the auction process has changed to be online in January 2016, the timeliness of payment has actually decreased. Since January 2016, the average delay was 28.3 days. There are no actions the Police Department can take in order to incentivize Big Bass to process their payments timely; however, this will be addressed in the new contract.

We were not able to test the contract requirements as a new contract will not be in place until December 2016.

IMPLEMENTATION

Not Implemented

FINDING #3

**CONDITION
(THE WAY IT IS)**

Control numbers are automatically assigned for every tow by the Police Department's computer system. Upon IA's review, it was determined that 126 gaps in control numbers exist during the scope of the audit without notation as to the reason for deletion or cancellation. Research into these gaps is not occurring.

According to the Police Department, cancellations occur automatically in the system when a tow is started, but not saved. This could happen because a tow is no longer necessary or the customer has already called another company to tow their vehicle. A deletion is manually done by the Police Department employees and occurs due to the accidental duplication of records.

RECOMMENDATION

The Police Department should:

- Limit the delete function to necessary individuals that are outside of the Property Room.
- When a record is deleted, ensure that notes are added to the system as to the reasoning.
- Conduct a periodic review of all deleted transactions that occur within the system.
- Update the policies and procedures in accordance with all changes listed above.
- During the new system implementation, consider adding audit capabilities in order to better account for cancelled records.

**MANAGEMENT
RESPONSE**

Concur

ACTION PLAN

- Deletion rights have already been restricted to records management system (RMS) administrators (2 people). These personnel do not administer the contract.
 - Notations will be documented accordingly.
 - Cancelled records will be reviewed by RMS administrators.
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- Police Property Room SOPs will be updated accordingly.
 - RMS administrators will work with the RMS vendor to address the cancelled control numbers upon implementation of the next upgraded RMS version.

**IMPLEMENTATION
DATE**

- Effective immediately
- The next RMS version is scheduled to be upgraded in FY 16/17.

FOLLOW-UP

Deleted records are being tracked and investigated by the Police Department. In addition, IA noted that delete access was restricted to those outside of the Property Room.

Cancelled records will be corrected when the system is upgraded, as noted in the management response.

IMPLEMENTATION

Fully Implemented

FINDING #4

**CONDITION
(THE WAY IT IS)**

The Contract and the City Ordinance do not state all fees that are charged for wrecking, towing, impounding, notification and storage services. IA noted:

- The daily storage fees and certified letter fees that charged by Big Bass on behalf of the City are not included in the Contract.
- The City Ordinance does not reference the listing of fees found within the Contract.

RECOMMENDATION

The Police Department should update the following:

- The notification letter and towing fees should be added to the Contract when a new bid is awarded.
- The City Ordinance should reference the complete list of fees found within the Contract. This will prevent duplication of information between the Ordinance and the Contract.

**MANAGEMENT
RESPONSE**

Concur

ACTION PLAN

- All fees charged by either the City or the vendor will be included in the next contract.
- New language was added to the current city ordinance to reflect the fact that all fees to be charged are included in the contract with the vendor.

**IMPLEMENTATION
DATE**

- December 16, 2016 for contract revisions
- April 21, 2015 for revisions to the city ordinance

FOLLOW-UP

The current City Ordinance states that "The authorized towing fees shall be established through the City's contract with the current designated towing vendor" as recommended in the prior audit report.

A new contract will not be in place until December 2016, so Internal Audit was unable to test the new contract revisions.

IMPLEMENTATION

Fully Implemented

FINDING #5

**CONDITION
(THE WAY IT IS)**

Expired insurance certificates were not consistently maintained by the City. It should be noted that IA was able to obtain all insurance certificates from Big Bass.

RECOMMENDATION

City Management should:

- Determine which department(s) are responsible for various tasks that relate to the verification, evaluation, retention and monitoring of insurance certificates.
- Consider the implementation of a contract management system to monitor the status of insurance requirements, expiration dates, etc.

**MANAGEMENT
RESPONSE**

Management concurs.

ACTION PLAN

Purchasing, Risk Management, and City Secretary have met to determine the areas of responsibility. Purchasing is responsible for verifying that insurance certificates are obtained prior to issuance of a Purchase Order. Risk Management is responsible for evaluation of insurance certificates for accuracy and compliance. The City Secretary is responsible for insurance certificate retention. The Department contract representatives are responsible for monitoring insurance certificates to ensure that they remain current for the life of the contract.

The IT Board recently approved the Contract and Insurance Management System project to move forward through the budget process for FY 2015-2016.

**IMPLEMENTATION
DATE**

Purchasing, Risk Management, and City Secretary recently met and defined the areas of responsibility.

The Contract and Insurance Management System project is scheduled to move forward through the budget process in FY 2015-2016.

FOLLOW-UP

All insurance certificates are being retained by the Purchasing Department, and not in the new Contract and Insurance Management System, however, since all current and expired certificates were on file, Internal Audit did not find exception.

IMPLEMENTATION

Fully Implemented

Sampling Methodology

Towing Card Sample

IA obtained a population of all impounds during our scope of June 1, 2016 – June 22, 2016. IA used Active Data to obtain a random sample of 25 pullcards (towing records). IA wanted a representation of all tow cards across the population so all towing records had an equal chance of selection for our sample. The results can be projected to the intended population.