



City of Albuquerque

Office of Internal Audit

SECOND FOLLOW-UP OF THE

MWI, Inc.

Report 24-19-106F

Date: June 26, 2024

INTRODUCTION

The Office of Internal Audit (OIA) issued its report for Audit No. 19-106, “MWI, Inc.” on June 27, 2019. The original report identified two (2) recommendations. OIA issued the first follow-up report on December 14, 2022 and found both recommendations were open and in-progress. OIA completed a second follow-up to determine the corrective actions that the Department of Municipal Development (DMD) has taken in response to the report. The report contains two (2) recommendations, one (1) which has been implemented and one (1) which remains open.

BACKGROUND

OIA completed a citywide vendor audit of MWI, Inc on June 27, 2019 which was included in OIA’s fiscal year 2019 audit plan. The scope period for this audit was from May 16, 2016 and through August 4, 2018 and the City of Albuquerque (City) paid MWI approximately \$1.6 million during the term. The audit objectives were to determine whether the vendor billed the City accurately and in conformance with the contract and whether the vendor was in compliance with the insurance, bonding, and licensing requirements of the contract.

MWI is a locally owned company that was founded in 2007 and specializes in the installation, upgrade, and maintenance of traffic signals, roadway lighting, and intelligent transportation systems. The City of Albuquerque (City) contracts with MWI to provide line location services for New Mexico 811 (NM811) calls placed throughout the City. NM811 is a communication medium between citizens and businesses, and the various utility companies with cables and other facilities buried underground. NM811 dispatches locators from utility companies to mark the buried lines before any digging occurs. All line location spotting request tickets within the City boundaries are dispatched to MWI by NM811. From the time the spotting request ticket is received, MWI has forty-eight hours to clear the ticket for non-emergency requests and two hours to clear emergency requests. Once MWI receives a spotting request ticket, research is performed to determine if underground utility lines are at the location. If MWI’s research determines there are no underground utility lines at the location, MWI documents the results of their research and clears the open ticket on the NM811 system. If MWI’s research identifies that there are underground utility lines, an MWI employee goes to the location and locates, marks the lines, and then clears the open ticket as marked on the NM811 system.

Further information pertaining to the audit scope, limitations, and methodology can be found in Appendix A of the original audit report.

The audit found that DMD is not sufficiently reviewing invoices from MWI for accuracy prior to authorizing payment. Specifically, the audit found that the vendor underbilled the City for services provided and failed to submit the proper utility spotting request information. Additionally, the audit found that MWI employees did not possess a valid New Mexico State Electrical License as required by the contract.

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FOLLOW-UP OBJECTIVE

The objective of this follow-up was to determine whether DMD has taken the corrective actions recommended in OIA's June 27, 2019 original report. Consistent with Government Auditing Standards, Section 9.08, promulgated by the U.S. Government Accountability Office, the purpose of audit reports includes facilitating a follow-up to determine whether appropriate corrective actions have been taken. This field 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, DMD is responsible for the substantive outcomes of the work performed during this follow-up and is 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 recommendation from the original audit report dated June 27, 2019 through the submission of actions on April 29, 2024.

METHODOLOGY

To achieve the objective, OIA did the following:

- Obtained documentary evidence from DMD.
- Interviewed DMD staff to understand and verify the status and nature of the corrective actions taken.
- Verified the status of the recommendations that DMD had reports as implemented.

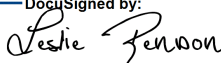
RESULTS

Of the two (2) recommendations addressed in the original audit report, one (1) has been implemented and is now considered closed. See ATTACHMENT 1.

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SUBMITTED:

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Office of Internal Audit

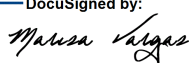
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
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Recommendations	Responsible Agency	Department Response	OIA Conclusion	<u>OIA Use Only</u> Status Determination
<p><u>Recommendation #1</u> The Department of Municipal Development (DMD) should:</p> <ul style="list-style-type: none"> • Verify the accuracy of MWI, Inc. (MWI) line location service billings prior to approval; • Consider allowing MWI to submit invoices for unbilled line location services; and • Ensure MWI provides the NM811 utility spotting request information for each ticket when billing the City or work with MWI to determine what information may be provided that would enable DMD staff to verify the 	<p>Municipal Development Department</p>	<p>“MWI is providing DMD staff with photos and billing quantities on a monthly basis that will be reviewed by City staff for accuracy.</p> <p>MWI has not submitted a bill for any unbilled work.</p> <p>The DMD Traffic Engineering Division (TED) hired an engineer in January of 2023, responsible for tracking TED’s responsibilities regarding street lighting. Because of the extraordinary number of street light failures due to copper theft, knockdowns, and other causes, that employee has primarily focused on managing Dalkia Energy, the contractor responsible for maintaining City Street lights. Two pilot</p>	<p>Per DMD’s response, DMD verifies the accuracy of MWI, Inc. Line location service billings prior to approval; MWI provides DMD with photos and billing quantities on a monthly basis to be reviewed by City staff for accuracy. This part of Recommendation #1 is closed.</p> <p>DMD has not received any bills from MWI for unbilled work. This part of Recommendation #1 is closed.</p> <p>DMD has limited staffing and as a result, verification of the accuracy of line location billings is not being completed on a consistent basis.</p> <p>This recommendation will</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>

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<p>accuracy of line location billings.</p>		<p>projects are in progress that will install tamper proof pull boxes, wire locks, and locking hand holes to prevent access to wire, and to limit the amount that can be pulled out. As copper is stolen, it is replaced with aluminum, which has a lower scrap value and less likely to be stolen.</p> <p>The engineer’s time has been consumed with numerous issues with the quality and quantity of Dalkia’s work, their subcontractor’s work, and failing light fixtures that pose a significant hazard to the public. However, TED has been able to work with MWI to ensure they are properly tracking line spotting when Dalkia discovers underground damage to our street lighting circuit. When Dalkia discovers underground damage, City staff contacts MWI, who is asked to provide</p>	<p>remain in an open state.</p>	

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		<p>any applicable NM811 ticket number, plus photographic evidence of their line spots. When the damage is uncovered, Dalkia calls in a trouble ticket, and the utility owner that damaged the street light conduit is shown the damage and the photo of the line spots. If the utility owner agrees to be billed directly by Dalkia, then City involvement ends. If they do not want to work with Dalkia, then the City's claim is referred to Risk.</p> <p>MWI has been able to provide prompt responses (via email) showing when they've responded to an NM811 request, which has allowed us to recover damages from third parties when their work has damaged our equipment. In one case, MWI was able to show that no NM811 ticket was called in at all, indicating</p>		

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		<p>that the contractor violated State law when they hit our conduit.</p> <p>Based on this follow-up audit, we have asked MWI to provide photographs of one location a month along with the billing quantities that we can use to ensure that we are invoiced appropriately. TED has limited staffing and has determined to prioritize public safety issues, such as maintaining street lights, when determining the best use of their staff and resources. If public safety issues decrease, TED will be able to devote more staff time to verifying MWI invoices. This is a recent addition to TED’s staff’s tasks.”</p>		
<p><u>Recommendation #2</u> DMD should ensure that</p>	<p>Municipal Development Department</p>	<p>“Verification is confirmed once the employee for MWI is hired. MWI has</p>	<p>Per DMD’s response, DMD has ensured that the employees performing line</p>	<p><input type="checkbox"/> Open <input checked="" type="checkbox"/> Closed <input type="checkbox"/> Contested</p>

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<p>employees performing line location services for the City possess a valid New Mexico State Electrical License.</p>		<p>complied thus far on license requirements on all jobs performed in the past 3 years.</p> <p>The state pricing agreement that the City uses requires all contractors on the approved contractors list to have a valid NM Electrical License (see attached). City staff verified verbally with MWI that they were in compliance with this requirement. MWI has confirmed that its staff have appropriate credentials.”</p> <p><u>ESTIMATED COMPLETION DATE</u></p> <p>Completion: N/A</p>	<p>location services for the City possess a valid New Mexico State Electrical License and OIA confirmed the applicable certification. As a result, this recommendation is considered closed.</p>	