

MARYLAND-NATIONAL CAPITAL PARK & PLANNING COMMISSION

**Office of the Inspector General
6611 Kenilworth Avenue, Suite 106
Riverdale, MD 20737**

Internal Control Report

**Prince George's County Department of Parks and Recreation
Construction and Maintenance Section**

**Allegations of
Inaccurate Construction Billing
PGC-007-2023-B**

February 15, 2023

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A. Overall Perspective

On August 26, 2022, the Office of the Inspector General (OIG) received a hotline allegation involving activities within the Construction and Maintenance Section (C&M) of the Park and Facility Services Division. C&M is one of several sections managed by the Park and Facility Services Division (FSD). FSD is a Division of Prince George's County Department of Parks and Recreation (DPR or Department). C&M is responsible for major maintenance and inspection program funds and supervises high priority repair and maintenance projects throughout Prince George's County.



On August 30, 2022, Ms. Renee Kenney, Inspector General, notified Mr. Bill Tyler, Director, Prince George's County Department of Parks and Recreation, Mr. Steve Carter, Deputy Director, Park and Facility Management, Mr. Darryl Oden, Chief, Park and Facility Services Division, and Mr. Tim Matthews, Manager Human Resource Manager, the OIG was initiating a fraud, waste, and abuse investigation as a result of the allegations.

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A Fraud, Waste, and Abuse Audit Report (PGC-007-2023-A) has been issued with this Internal Control Report. The investigative report contains the OIG's conclusion on the occurrence of fraud, waste, and abuse.

The fraud, waste, and abuse investigation was conducted in accordance with the Principles and Standards for Offices of Inspector General. The investigation covered activities between January 1, 2019 – November 1, 2022.

During the completion of the investigation, the OIG identified opportunities to strengthen internal controls within the C&M Section of the Park and Facility Services Division for construction billings. This Internal Control Report contains our recommendations and management's responses.

B. Findings and Recommendations

1. Establish Review Procedures for On-Call Proposals

Issue: The OIG reviewed 36 on-call proposals and price analysis forms submitted to C&M by the contractor identified in the fraud, waste, and abuse investigation. Based on our review, on-call proposals (i.e., quotes) are not adequately reviewed before award.

In 2017, the Commission's Corporate Procurement Division solicited proposals in accordance with the Purchasing Manual § 9-820, Competitive Sealed Proposals to produce a qualified list (i.e., pool) of contractors for on-call general construction services. These contracts provide a wide variety of labor classifications and contain set all-inclusive labor rates¹ and not-to-exceed mark-up for equipment and material to support the major routine maintenance and repair of DPR facilities and properties.

When construction services are required, C&M personnel solicit on-call proposals from contractors identified in the Basic Ordering Agreement (BOA). Subsequently, the identified contractors provide a quote and price analysis form to C&M. An example of a typical on-call proposal and price analysis form has been provided in **Exhibit A**. Note: the submitted quotes and price analysis forms typically only include high level **estimates** of labor hours, material costs, and if necessary, subcontractor costs.

C&M personnel are responsible for the review of submitted quotes and price analysis forms. C&M personnel select contractors based on review of the submitted quotes. However, as discussed in recommendation #2, *Adhere to Corporate Procurement Procedures*, multiple quotes are not being solicited as required. A purchase order is subsequently issued to the identified contractor without following Corporate Procurement procedures.

Risk/Criteria: Although labor rates are contractually fixed as a result of the contracting process, the proposed labor hours are estimates. Similarly, contractors are allowed to include a fixed percentage of markup over their material costs but documentation to support the proposed material costs is not required.

Once a contractor is selected to perform the work, a purchase requisition is created, and a purchase order is generated. The contractor's on-call proposal becomes an on-call contract. These on-call contracts are **firm fixed price lump sum** contracts. If submitted quotes and price analysis forms are not adequately reviewed by C&M personnel, the unverified costs convey to the on-call contract.

¹ Set all-inclusive labor rates are only applicable to the prime, they do not apply to subcontractors.

Cause: C&M does not have documented internal policy and procedures (i.e., standard operating procedures) for reviewing on-call proposals for reasonableness.

C&M management does not require subordinate personnel to obtain reasonable documentation to support cost proposals. The C&M Manager's² responsibilities³ include:

- Set work standards.
- Supervise review of cost estimates for projects.
- Supervise and coordinate contracting activity of the unit.

Issue Risk: High

Recommendation: C&M management should develop and promulgate internal procedures for the review and approval of on-call proposals. The policies and procedures should include guidance on substantiating material costs, labor hours, and subcontractor costs.

- Proposed contractor material costs should contain an itemized breakdown of material costs by line item. The contractor should also provide supporting documentation (such as material vendor quotes or recent historical data) to support how they computed the material costs. If the contractor cannot provide supporting documentation, the C&M employee reviewing the proposal should arbitrarily select individual material items and verify reasonableness. This review should be documented, supportable, and maintained in the contract file.
- Proposed contract labor hours should include a breakdown of the labor hours by task. For example, during our investigation, we reviewed a quote which included 100 hours for the removal of existing carpet tile floor, preparation of the sub flooring, application of the primer and installation of the new carpet. To aid C&M personnel in the review of quotes, labor hours should be broken down by task. Special attention should be given to hours assigned to Project Managers and Superintendents. Any proposed hours that appear unreasonable should be discussed with the contractor and duly adjusted/negotiated to the employees' satisfaction.

² [REDACTED]

³ All responsibilities of the P&FS Manager included in this report are excerpts from official job/class/specifications obtained from Human Resources.

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- All subcontractor costs should provide detailed breakdowns of material and labor costs.

In addition to supporting documentation requirements for material, labor and subcontractors, internal policies and procedures should require all approvers to document their review and approval of the submitted on-call proposal. A signature on its own is not sufficient. **Exhibit B** contains an example of acceptable documentation. C&M management should develop something similar.

Management Response: FSD concurs with the recommendations and will investigate ways that we can strategically implement best management practices to ensure better checks and balances and monitoring of all proposals and projects is implemented.

Expected Completion Date: July 2023

Follow-Up Date: September 2023

2. Adhere to Corporate Procurement Procedures

Issue: Competitive bid requirements are not enforced within C&M. The OIG reviewed a sample of thirteen on-call material requisitions/contracts, two of which were over \$150,000. None of the requisitions reviewed adhered to the task order award process outlined in the BOA agreements (i.e., no competitive bids were obtained).

Risk/Criteria: Failing to follow Corporate Procurement's requirements and recommendations eliminates competition and decreases assurance of fair and competitive pricing.

The BOA procedures require that projects estimated to exceed \$150,000 be solicited from a minimum of three (3) contractors who were awarded a BOA agreement. The Corporate Procurement Division recommended departments obtain multiple quotes for projects under \$150,000 to ensure fair and reasonable pricing.

Cause: The [REDACTED] did not provide adequate oversight and guidance to subordinate personnel. Responsibilities of the [REDACTED] include:

- Review the work of the unit.
- Ensure unit effectiveness.
- Enforces work rules.
- Supervise and coordinate the contracting activities of the unit.

Issue Risk: High

Recommendation: C&M management should ensure employees follow all Corporate Procurement policies and procedures. Approval documentation (**Exhibit B**) should include evidence of competitive processes.

Management should identify and document criteria to assist C&M personnel in competitive requirements for contracts under \$150,000. For example, management may want to define competitive requirements based on contract price (e.g., contracts between \$50,000 and \$100,000 must obtain 1 additional quote and contracts between \$101,000 and \$149,000 must obtain 2 additional quotes). Any exceptions to requirements should require additional approval by the Division Chief. In addition, we recommend Corporate Procurement strengthen current processes for the BOA contracts over the amount of \$150,000 to prevent egregious circumvention of requirements for multiple quotes.

Management Response: FSD concurs with the recommendations and will work to ensure that the current contract requirements are being met or exceeded. We cannot change or modify a CAS practice/procedure but as noted will look to exceed the requirements.

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Expected Completion Date: May 2023

Follow-Up Date: September 2023

3. Document and Manage Potential Conflicts of Interest

Issue: The [REDACTED] did not obtain a *Request to Participate in Non-Commission Employment* (Form A-1) from an employee whom [REDACTED] knew had his own construction company. The [REDACTED] was the direct supervisor of the employee. DPR's Department Head was not provided the required opportunity to approve or deny the non-Commission employment request.

The [REDACTED] did not implement necessary additional controls to mitigate the many inherent risks (e.g., working on personal projects during paid work hours, using Commission material on personal projects, using Commission contractors on personal projects, etc.) resulting from non-Commission employment.

Risk/Criteria: Disclosure of non-Commission employment provides management an opportunity to manage any potential conflicts of interest. This is especially important if the non-Commission employment overlaps with the employee's Commission responsibilities.

Commission Policy Requirements

- Commission Administrative Procedure No. 03-05, *Non-Commission Employment and Non-Commission Business* requires all employees, appointed officers and Department Heads to receive prior approval before engaging in non-Commission employment or non-Commission business.
- Commission Practice No. 2-14, *Non-Commission Employment and Non-Commission Business* states "**Supervisors** are responsible for providing procedural assistance to employees who are requesting approval for participation in Non-Commission employment.... Violations of any provision of this Practice are subject to disciplinary actions, up to and including termination of employment."

Cause: The [REDACTED] failed to take reasonable actions to mitigate known conflict of interest risks due to known non-Commission employment, which overlaps with the employee's Commission responsibilities.

Issue Risk: High

Recommendation: C&M management should ensure all managers/supervisors obtain a *Request to Participate in Non-Commission Employment* (A-1 Form) required per Commission Administrative Practice 03-05, *Non-Commission Employment and Non-Commission Business* from employees with non-Commission employment. The manager/supervisor should then provide a recommendation or denial of the request to the Department Head.

As employee circumstances change, we recommend asking about secondary employment during all employee's annual performance reviews.

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If approved, management should consider potential conflicts and implement additional controls to mitigate.

Management Response: FSD concurs with the recommendations and has already implemented an administrative procedure to ensure compliance. We are including the necessary forms with all performance reviews and are requiring them to be completed annually.

Expected Completion Date: July 2023

Follow-Up Date: September 2023

4. Strengthen Project Management Activities

Issue: During our review of 13 on-call invoices submitted for payment, we identified the following irregularities:

- Final on-call invoices require review and approval by the assigned Construction Representative (i.e., Project Manager). However, internal procedures do not require the C&M Manager to authorize payment.
- Most invoices included hours for project managers and superintendents, however, per our interviews with Park and Facility Service personnel, these “roles/positions” were typically not on site. These costs were not identified as questionable during the Project Managers review of the invoice and resulted in payment for unperformed work.
- C&M Project Managers do not consistently document their review of the project's progression.
- C&M Project Managers are not required to provide documentation supporting all work has been satisfactorily completed prior to payment.

Risk/Criteria: Inadequate review and approval of costs may result in payment for unperformed work. Inadequate review of costs also increases opportunities for fraud, waste, and abuse.

The Project Managers class specifications state they should approve payments. The C&M Managers class specifications state the position should authorize payments.

Cause: Lack of documented policies and procedures coupled with insufficient managerial oversight of C&M personnel. The C&M Manager has a fiduciary responsibility to ensure a reasonable level of due diligence over project management activities.

Issue Risk: High

Recommendation: The [REDACTED] should provide a secondary level of review for authorization of payment.

Review of billable costs should take place over the entire construction period. During the construction period, the assigned Project Manager should verify the workers identified on the task order proposal are present. The Project Manager should also be mindful of materials used on the job. The Project Managers observations should be documented and maintained on file.

Even though the contract vehicle is firm fixed price, it is very important for C&M personnel to discuss identified irregularities with the contractor. Change Orders should be issued for any necessary adjustments.

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Management Response: FSD concurs with the recommendations and will implement this process to ensure best management practices.

Expected Completion Date: July 2023

Follow-Up Date: September 2023

5. Retain All Applicable Contract Supporting Documentation

Issue: In support of our investigation, the OIG requested copies of all supporting documentation for work completed by a specific contractor. Examples of requested documentation included details of material, labor, and subcontractor costs as well as documentation supporting assigned project managers review notes. During our discussions with the [REDACTED] acknowledged there were a number of documents missing from their internal files for Contractor named in the investigation.

Risk/Criteria: Failing to retain all pertinent documentation related to a contract increases the opportunity for fraud, waste and abuse.

The [REDACTED] class specifications requires this position to maintain records of bids, expenditures, purchase orders, invoices, contracts, and other documents for the unit.

Issue Risk: High

Recommendation: Corporate Procurement is the Office of Record for fully executed contracts. C&M however should determine what documentation is necessary in order to provide an adequate level of detail for future stakeholders referring back to the project.

Management Response: FSD concurs with the recommendations and will ensure that pertinent documents of all projects will be included in the project packet for future review etc.

Expected Completion Date: July 2023

Follow-Up Date: September 2023

C. Conclusion

We believe the findings identified and communicated are correctable and management's responses to all recommendations satisfactorily address the concerns. It is the responsibility of management to weigh possible additional costs of implementing our recommendations in terms of benefits to be derived and the relative risks involved.

We wish to express our appreciation to the Prince George's County Department of Parks and Recreation for the cooperation and courtesies extended during the course of our review.



Robert Feeley, CICA, CFE, CGFM, CAA
Assistant Inspector General



Modupe Ogunduyile
Deputy Inspector General



Renee Kenney, CPA, CIA, CISA, CIG
Inspector General

February 15, 2023

Exhibit A Sample On-Call Proposal and Cost Analysis Form

[Redacted]
[Redacted]
[Redacted]

Quotation # **23657**

Blii To: [Redacted]
 Name: [Redacted]
 Company Name: **Maryland National Capital Park and Planning Commission**
 Street Address: **4200 Ritchie Marlboro Rd**
 City, ZIP Code: **Upper Marlboro MD 20772**
 Phone: **202-439-0245 301-780-2361**
 Email: [Redacted]@dcparks.com

DATE December 2, 2019

Contract #380096

Job Location **Show Place Arena Main Hall**

Description	AMOUNT
[Redacted] will provide labor and materials to perform the following scope of work: Prep and paint Main Hall Paint all duckwork on ceilings, all railings, all ceilings on top of skyboxes, all walls, top and bottom, entrances. Apply primer and finished coats of paint.	
1 Project Manager 200 hrs. X \$ 29.00	\$ 5,800.00
1 Supervisor 480 hrs. X \$ 29.00	\$ 13,920.00
10 Painter (Daywork) 300 hrs. X \$ 24.00	\$ 72,000.00
10 Painters (Nightwork) 300 hrs. X \$ 34.00	\$ 102,000.00
Materials	\$ 38,900.00
Equipment (3 Lifts • 60 LF)	\$ 30,000.00
Mark Up 10%	\$ 6,890.00
Bond 3%	\$ 8,085.30
Labor and Materials	\$ 2,595.30

TOTAL | \$ **277,595.30**

Any alteration or deviation from above specifications involving extra coats will be executed only upon written order and will become an extra charge over and above the estimate.

Authorized Signature [Redacted]

Acceptance of Proposal

The above prices, specifications and conditions are satisfactory and are hereby accepted. You are authorized to do the work as specified. Payment will be made as outlined above.

Date of Acceptance

Signature

THANK YOU FOR YOUR BUSINESS!

Exhibit A Sample On-Call Proposal and Cost Analysis Form

The Maryland National Capital Park and Planning Commission
COST AND PRICE ANALYSIS

This form is to be completed by contractors, providing an estimate on work in accordance with a commission contract and when submitting final or partial cost for a completed project. Questions on the use of this form should be referred to the purchasing Manager.

Name and Address of Contractor:		Contract 098	
Project No.		Max. Estimate or partial cost or final cost.	
Project PUC number:		No. of calendar Days for completion after	
Quote# 23657		Notice to proceed Dan,	
Job Location: Show Place Arena Main Hall		Juan R. Nav Contractor's Signature	
complete the following using additional pages, if necessary, rates all inclusive			
1. Labor	SF/hrs	Rate/Hours	Cost
Project Manager	20	29.00	\$ 5,800.00
Supervisor	48	29.00	\$ 13,920.00
10 Painters (Day work)	300	24.00	\$ 72,000.00
10 Painters (Night work)	300	34.00	\$ 102,000.00
			A: \$ 193,720.00
2. Material Cost (provide general description here and attach itemized invoice:			cost:
Material			\$ 38,900.00
			10% \$ 3,890.00
			B: \$ 42,790.00
3. Equipment cost (provide General Description) and attach itemized invoice and receipt:			cost:
3 Lifts (60 LF)			\$ 30,000.00
			10% \$ 3,000.00
			C: \$ 33,000.00
4. Total Cost: A+ B+C=			\$ 269,510.00
5. Total subcontractor cost from attached subcontracting forms plus markup from pricing page. Attach completed subcontracting form for each subcontractor utilized and itemized invoice. List Subcontractor's name and address and applicable Minority Certification number here:			
Name			
Address			
If applicable, identify type of MFD			
		Plus	10%
		State tax	\$
		Total	\$ -
6. Bond Cost, If Applicable			\$ 8,085.30
7. GRAND TOTAL (Total Cost+ Subcontracting+ Bond Cost)			\$ 277,595.30

Exhibit B
Task Order Contract Documentation
(SAMPLE ONLY – C&M TO DEVELOP SOMETHING SIMILAR)

Contractor: _____

PO Number: _____

Date: _____

Project Description: _____

Contract Amount (including CO): _____

If amount is over \$150,000 please attach evidence of 3 competitive quotes.

If amount is under \$150,000 please provide evidence of additional quotes or provide explanation of why additional quotes are not warranted.

Material Cost

Contractor provided supporting documentation for material costs: Yes No

If no, how were the material costs substantiated (please check one)

- Approver obtained similar material quotes (please provide copies)
- Approver substantiated through other means, as detailed below.

Exhibit B
Task Order Contract Documentation
(SAMPLE ONLY – C&M TO DEVELOP SOMETHING SIMILAR)

Labor Cost

Contractor provided a detailed breakdown of labor costs: Yes No
(including labor hours by task)

If no, how were labor costs substantiated?

Subcontractor Costs

Subcontractor provided a detailed breakdown of material costs: Yes No

If no, how were material costs substantiated?

Subcontractor provided a detailed breakdown of labor costs: Yes No
(including labor hours by task)

If no, how were labor costs substantiated?

Approver Name/Signature

Manager Name/Signature

Date

Date