



# County Contract Audit Radio System Infrastructure Upgrade By Maricopa County Internal Audit March 2021

## Why This Audit Is Important

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The Maricopa County Radio System Infrastructure Upgrade is a communications system specifically designed to provide wide-area, high-capacity voice communications for all Maricopa County agencies and partners. The \$112 million contract was awarded to a vendor in 2013 and project oversight is provided by the Office of Enterprise Technology (OET).

We examined invoices related to the construction of 37 radio tower sites and the first 20 invoices for Project Management & Administration fees (PM&A). The purpose was to determine if the invoice charges and incentive discounts aligned with the contract rates.

## Key Findings

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- For 36 of the 37 radio tower sites, invoices contained charge discrepancies resulting in excess charges totaling \$1,733,952.
- Incentive discounts were not properly applied to PM&A invoices resulting in excess charges totaling \$601,555.

While the vendor agreed with our results, they asserted there were additional costs that were never billed to the county. Validating the vendor's unbilled costs was outside the scope of this audit; therefore, OET agreed to work with the vendor on a resolution.

All key findings requiring corrective action were addressed through agreed-upon management action plans.

## What We Audited

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Following is a summary of work performed and findings. Corresponding recommendations and responses start on page 3. The responses were approved by Ed Winfield, Chief Information Officer, on March 8, 2021. More detailed observations and recommendations were communicated to management throughout the audit process.

### Invoices for Radio Tower Sites

**Background** – Audit procedures included reviewing invoices and supporting documentation to determine that:

- Material and labor amounts reconciled to contract rates
- Invoices reflected authorized charges
- Percent-to-bill was calculated and applied correctly

- Allowable incentives and discounts were calculated and applied correctly
- Invoices were mathematically accurate and were paid

**Observations** – We reviewed the contract and examined all invoices for two completed radio tower sites and a sample of 10 invoices for other sites. After discovering significant charge discrepancies, we expanded our testing to include all invoices for an additional 35 radio tower sites. We identified discrepancies resulting in excess charges totaling \$1,733,952. The vendor agreed with the excess charges (**Recommendation 1**).

The vendor conducted their own review and asserted there were additional costs that were never billed to the County. Validating the vendor’s unbilled costs was outside the scope of this audit; therefore, OET is working with the vendor to obtain and review new invoices for the previously unbilled costs (**Recommendation 2**).

For the remaining unaudited radio tower sites, we reviewed preliminary information and determined it did not warrant expanding the scope of this audit.

### **Invoices for Project Management & Administration**

**Background** – Per the contract, Project Management & Administration fees (PM&A) are billed quarterly at 1/20<sup>th</sup> of the total PM&A cost until fully paid. Audit procedures included reviewing PM&A invoices to validate that incentives, tax rates, and retainage were calculated and applied correctly.

**Observations** – The first nine PM&A invoices did not reflect the agreed-upon incentive discounts, resulting in overcharges. The remaining eleven invoices contained incentive discounts that were not accurately applied, resulting in undercharges. The combined result for all twenty invoices totaled \$601,555 in excess charges. The vendor agreed with the excess charges (**Recommendation 3**).

### **Unaudited Radio Tower Sites**

**Background** – Our audit scope included all invoices for 37 radio tower sites but did not extend to other remaining sites. The vendor conducted their own review of the unaudited sites and submitted their findings to OET.

**Observations** – We did not audit or place reliance on the vendor’s review of the unaudited sites. Instead, OET is working with the vendor to review the supplemental information and validate any charge discrepancies (**Recommendation 4**).

### **Additional Information**

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This audit was approved by the Maricopa County Board of Supervisors and was conducted in conformance with International Standards for the Professional Practice of Internal Auditing. This report is intended primarily for the County and its stakeholders. However, this report is a public record and its distribution is not limited. If you have any questions about this report, please contact Mike McGee, County Auditor, at 602-506-1585.

## Recommendations and Responses

Recommendations to OET	Responses
<p><b>1</b> Continue working with the vendor to apply a credit for the excess invoice charges. Prior to paying future project invoices, review all calculations for accuracy, and reconcile all charges, incentives, and discounts to contract rates.</p>	<p>Concur – in progress</p> <p>OET is in the process of recouping from the vendor via credit/offset for the site invoice overcharges.</p> <p>OET has made corrective changes to its invoice review process to ensure all future invoices are associated to a specific site, reviewed for mathematical accuracy, and include the detailed supporting documents that are provided by the vendor as part of each project milestone. Further, these milestones will be compared with the contract rates and terms to ensure the appropriate incentives/discounts are applied prior to payment.</p> <p>Completion Date: 5/31/2021</p>
<p><b>2</b> Continue working with the vendor to obtain and review new invoices for previously unbilled costs.</p>	<p>Concur – in progress</p> <p>OET has executed a detailed review in the form of a true-up for each site. This process identified the costs for those unbilled items and corrective actions are in process to rectify the unbilled items.</p> <p>Target Date: 3/30/2021</p>
<p><b>3</b> Continue working with the vendor to apply a credit for the excess PM&amp;A charges.</p>	<p>Concur – in progress</p> <p>OET has executed a detailed review of each overcharged amount in the form of a true-up for each site. Corrective actions are in process for recouping from the vendor a credit/offset for the excess PM&amp;A overcharges.</p> <p>Target Date: 3/30/2021</p>

Recommendations to OET	Responses
<p>4 Continue working with the vendor to review invoices for the unaudited radio tower sites and validate any additional charge discrepancies.</p>	<p>Concur – in progress</p> <p>Starting last August, the County and vendor undertook a review process on all unaudited radio tower sites and validated discrepancies. The result of this review showed a net credit to the County (between invoice overcharges in #1, PM&amp;A invoice overcharges in #3, and unaudited and unbilled vendor invoices) of just over \$78,000. OET is in the process of recouping from the vendor via credit/offset.</p> <p>Completion Date: 3/31/2021</p>