

Internal Audit Service Center

Grounds Services Grass Mitigation Process Follow-up Performance Audit Public Works Division December 30, 2024



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December 30, 2024

Mr. Scott Morgan, Director
Public Works Division
City of Memphis
125 N. Main, Suite 608
Memphis, Tennessee 38103

Dear Director Morgan:

We have completed our performance audit of the Grounds Services Grass Mitigation process. This audit is a follow-up to the findings noted in the audit report for Grounds Services Grass Mitigation Process Performance Audit dated March 18, 2020. The follow-up audit was initiated in FY24, with an expected completion of approximately six to eight months. However, our audit procedures were impacted due to numerous challenges, including office renovations and other higher priority projects, resulting in audit delays. We appreciate your understanding and patience during this time. Nonetheless, the findings and recommendations contained in this report should assist management in conducting a more effective and efficient operation.

The primary objective was to evaluate internal controls over significant grass mitigation processes with respect to validity and accuracy of contractor payments. Our secondary objective was to evaluate compliance with applicable contracts, laws, and regulations. Lastly, our objective was to evaluate the adequacy and effectiveness of corrective actions taken to address findings outlined in the previous audit report. To accomplish our objectives, we interviewed management and staff, reviewed documentation, and conducted transaction testing specifically relating to the corrective actions. The scope was limited to the findings and recommendations outlined in the previous audit report, management's corrective actions, and transactions occurring from July 1, 2022 to June 30, 2023.

Based on our follow-up audit, we concluded that internal controls over contractor payments and compliance with grass mitigation contracts were satisfactory with opportunities for improvement. We based this opinion on the following findings:

- All (125) contractor payment transactions tested were properly supported by the *Summary of Jobs* listings that contained pertinent details for the serviced properties. All were paid the appropriate fee for service charges (\$15) or grass mitigation services (\$80 per hour). None were paid more or less than the established pay rate for services rendered. Additionally, all were mathematically accurate. However, we questioned the reasonableness and validity of services for some.

- We found adequate controls for some grass mitigation operations, including confirmation of contractor’s equipment, and routine performance evaluations (for contractors) to identify negative service patterns and trends. Pertinent grass mitigation procedures were also available in written format to provide guidance for the staff.
- Grounds Services management implemented written guidance for employees involved in daily operational duties. However, the written guidance did not address routine monitoring of grass mitigation operations to ensure controls are working as intended, that staff are following prescribed procedures, and to aid in identifying unusual, questionable, or suspicious activity. We also found no evidence of monitoring relative to contractor payments.


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, 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. Our audit may not necessarily disclose all weaknesses related to the grass mitigation process. The following pages provide the details of our findings and recommendations.

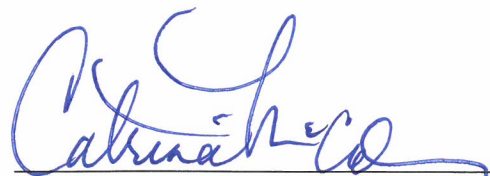
Our audit process provides management with the option to submit a written response to the draft report for inclusion in the final report; or to submit a written response within 30 days after issuance of the final report. We presented you with the draft report dated December 20, 2024. You elected to submit your written response after issuance of the final report.

Along with the final report, we will provide you with a populated corrective action plan that includes control deficiencies and recommendations from our follow-up audit. The document will contain relevant sections for documenting your planned corrective action, responsible party, and timeline for implementation. Please provide your written response and corrective action plan by January 30, 2025. We will evaluate the adequacy of corrective actions during a follow-up review.

We appreciate the cooperation of Grounds Services management and staff during our follow-up audit. If we can be of further assistance, please advise.

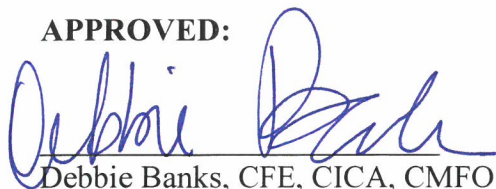
Sincerely,


Destiny C. Dickerson, CICA
Auditor-in-Charge


Catrina McCollum, CFE, CICA, CMFO
Project Manager

City of Memphis – Internal Audit Service Center
Public Works Division
Grounds Services Grass Mitigation Process Follow-up
December 30, 2024

APPROVED:



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BACKGROUND

The background information provides relevant and pertinent information to assist the reader with gaining a reasonable understanding of the activity under review. Additionally, the information helps to provide the reader with the best possible context for which to understand the nature of audit findings, observations, and recommendations.

Grounds Services is responsible for addressing blight in Memphis neighborhoods through grounds maintenance activities that include controlling weeds and grass on privately owned properties. Grass mitigation contractors are utilized to assist with blight remediation efforts. The contract outlines the terms, conditions, responsibilities, and requirements relevant to grass mitigation services. In accordance with the contract, compensation is paid at a rate of \$80 per hour for grass mitigation and includes a \$15 service charge if the lot is already cut when the contractor arrives on-site. Approval is required for services that exceed two hours.

Citizens can report blighted properties through various sources including, but not limited to, the 311 Call Center (via phone or online). The blighted properties are then documented in the Geographic Information System (GIS) Work Force application as a service request for assignment to grass mitigation contractors. The service requests are inspected and verified by designated Grounds Services personnel to determine whether a violation has occurred. A notice of violation is mailed to the property owner giving them seven days to comply with City Ordinances (*Ordinance No. 5708, Sections 301.3, 302.4, 308.1; Title 9, Chapter 9-96, Weeds and Refuse*).

On the eighth day, a cutting task is created in the GIS database by designated Grounds Services personnel, and the service request is assigned to a grass mitigation contractor. The GIS database also allows the contractors to view pertinent job assignment details and upload before and after pictures upon completion of job assignments. The pictures are reviewed by office support personnel to confirm completion of required work, prior to approval for payment. After all tasks are processed, an invoice is created by Grounds Services personnel for payment.

In the previous audit report dated March 18, 2020, we identified internal control weaknesses related to the grass mitigation operations that impacted operational effectiveness and efficiency. We provided recommendations to strengthen controls over the grass mitigation process and requested management's corrective action plan to address noted deficiencies.

During the audit period (July 1, 2022 to June 30, 2023) grass mitigation services totaling \$1,709,430¹ was provided by 37 contractors.

¹ Source: Oracle EBS Transaction Listing Report – Grounds Services Miscellaneous Professional Services (account 52528).

FINDINGS & RECOMMENDATIONS

OBJECTIVE 1:

To determine whether contractor payments were accurate, valid, and properly supported.

FINDING 1:

Overall, internal controls over the grass mitigation payment process are satisfactory with opportunities for improvement.

We judgmentally selected a sample of 14 of 37 (38%) grass mitigation contractors from the contract listing provided by Grounds Services management. For each contractor, we obtained invoice payment activity from Oracle EBS for the audit review period (July 1, 2022 to June 30, 2023). We judgmentally selected a sample of invoice payments from each contractor, for a total of 125 transactions. For each transaction, we requested the supporting documentation to confirm whether our sample was properly supported with invoices and pertinent job details (i.e., property address, total hours serviced, services rendered). Supporting documentation for our sampled transactions was provided by Grounds Services management.

From our review of the grass mitigation contract, we identified eight attributes related to pay which we tested to verify mathematical accuracy of invoices, validity, and existence of supporting documentation. Based on our attribute testing for the 125 payment transactions selected, we noted the following:

- 100% (125) of the invoices contained a *Summary of Jobs* listing that included pertinent details relative to the properties that were serviced (service date and time, service request number, parcel ID, address, hours billed, service charges, billed amounts).
- 100% (125) of the invoices were paid the appropriate fee for service charges (\$15) or grass mitigation services (\$80 per hour) for properties included on the *Summary of Jobs* listing. None were paid more or less than the established pay rates for the services rendered.
 - There were three invoices for service fees only.
 - There were 29 invoices for grass mitigation services only.
- 100% (125) of the invoices were confirmed to be mathematically accurate based on our invoice recalculations.
- 21% (26 of 125) of the invoices included properties with mitigation services greater than six hours. We were able to trace 17 invoices to the Grounds Services' Approval Log.
 - Those that exceeded 24 hours were required to undergo a separate bid process. We found evidence of the bid process for several of the properties, so we did not request additional documentation to test the others.

NOTE: For testing purposes, our threshold was six hours. However, contractors are required to obtain approval for mitigation services greater than two hours.

FINDINGS & RECOMMENDATIONS

Corrective Actions Implemented after Previous Audit

Grounds Services management made significant improvements since the previous audit, proven by the transaction testing results noted on page nine. As previously recommended, management implemented written guidance for employees involved in daily operational duties, including but not limited to conditions for contractor assignments, procedures for ensuring compliance with pertinent contract terms, requirements for contractor invoice reviews, approvals for grass mitigation services that exceed the two-hour threshold, conditions, and approvals for special projects.

Opportunities for Improvement

Written guidance did not address routine monitoring of payment activity to ensure controls are working, and to aid in identifying unusual, questionable, or suspicious activity. As a result, we noted the following:

Questionable Payments

- We questioned the reasonableness of service costs for properties with multiple service requests, particularly since they occurred on the same day, often within minutes of the first.
 - 23% (29 of 125) invoices included multiple service requests associated with the same property. The serviced properties were identified by “0” and the street name, rather than a numerical address. The majority appeared to be duplicate payments due to the variation in street names (for example, 0 Flynn and 0 Flynn Rd).
- We questioned the validity of services wherein the contractor was paid both the service charge (\$15) and grass mitigation fee (\$80 per hour) for servicing the same property.
 - 8% (11 of 125) of the invoices reviewed contained a property with both fees assessed.
- We identified five invoices that contained a property with a missing or partial address. However, the parcel ID and other pertinent details were available.

RECOMMENDATION(S):

- Grounds Services management should continue to ensure compliance with established grass mitigation policies and procedures.
- To further strengthen controls, Grounds Services management should periodically monitor the grass mitigation *Summary of Jobs* listing for questionable activity such as missing addresses, duplicate service charges, properties with both service and grass mitigation charges, etc. Monitoring activity should be documented in sufficient detail (dates, activity reviewed, monitoring results) to provide evidence of monitoring. Additionally, unusual, questionable, or suspicious activity should be further researched to confirm the validity of services provided. Contact Internal Audit if fraud, waste, abuse, or misuse is suspected.

FINDINGS & RECOMMENDATIONS

OBJECTIVE 2:

To evaluate compliance with applicable laws, regulations, contracts, and agreements (grass mitigation contracts and applicable City Ordinances (No. 5708, Chapter 9.96)).

FINDING 2:

Overall, compliance is satisfactory. However, we noted opportunities to improve monitoring efforts to ensure controls are working as intended and to identify unusual, questionable, or suspicious activity.

We evaluated compliance with 22 significant criteria obtained from the grass mitigation contract and City Ordinances (No. 5708, Chapter 9.96). Using our same sample set, we judgmentally selected a sample of 33 service requests from the 125 payment transactions referenced in *Finding #1*. For each service request, we obtained and reviewed pertinent details from the Geographic Information System (GIS) database of project milestone dates and photographs provided to support mitigation services.

Based on our compliance testing, we did not find any exceptions with 17 (77%) criteria due to operational improvements implemented after the previous audit. For the remaining five (23%), we noted the following exceptions:

- Job assignments were not completed within five days from the assignment date. According to the compliance testing results, only 3 of 33 (9%) service requests were completed within five days. On average, the number of days between the job assignment date and job completion date was 19 days and ranged between 1 and 62 days.
- The number of days between the violation notice and job assignment date averaged nine days and ranged between 1 and 16 days. The performance threshold was seven days.
- Based on the pictures we reviewed, contractors did not always utilize wooden stakes issued by the City to confirm whether high grass existed.
- Before and after pictures were not always taken from the same view, which made it difficult to discern whether the pictures represented the intended property. Although most pictures were clear, and contained handheld signs with pertinent property details, the signs do not provide irrefutable evidence that the properties denoted by the service request were accurately reflected in the pictures.
 - Two of 33 (6%) service requests did not include pictures confirming mitigation services had been provided (i.e., after pictures were not available).
 - One of 33 (3%) service requests included two handheld signs identifying two different addresses. One address was represented by the service request. We found no evidence of the other address on any of the sampled job details associated with the contractor. Without

FINDINGS & RECOMMENDATIONS

the service request number for the other address, we were unable to query the GIS database to confirm whether the picture was provided as evidence for the other address.

- For 40 of 125 (32%) invoices reviewed, we could not determine whether contractors were only paid for actual time spent cutting/cleaning (reported as *Questionable Payments* in *Finding #1*).
 - 29 invoices included multiple service requests for the same property. The payments appeared to be duplicates.
 - 11 invoices included both the service charge and grass mitigation fee for servicing the same property.

Corrective Actions Implemented after Previous Audit

Grounds Services management made significant improvements since the previous audit, proven by the transaction testing results noted above. As previously recommended, management implemented procedures to confirm contractors have sufficient equipment. Additionally, contractors receive routine performance evaluations to aid in identifying negative service patterns and trends.

Written guidance includes criteria and conditions for mitigation services rendered after grass cutting season. Pertinent details of grass mitigation services (job assignment, job completion, verification dates, etc.) were adequately notated in GIS for all service requests we sampled.

Opportunities for Improvement

Written guidance did not address routine monitoring of specific timebound criteria such as five-day invoice submission after job completion, 24-hour correction of substandard work, etc. Additionally, we found no evidence of monitoring activity to ensure compliance with timebound criteria, or actions taken to identify and address suspicious activity like the questionable payments we found.

RECOMMENDATION(S):

Grounds Services management should track and monitor compliance with specific timebound criteria such as five-day invoice submission after job completion, 24-hour correction of substandard work, etc.

- Pictures should be reviewed routinely to ensure the before and after pictures reflect the same views, and to aid in identifying negative service patterns and trends.
- Grass mitigation *Summary of Jobs* listing should be reviewed routinely to identify and resolve questionable activity (invoiced properties that contain multiple service requests for the same property occurring on the same date and invoiced at the same amount; invoiced properties that contain both the service charge and grass mitigation fee for the same property).

FINDINGS & RECOMMENDATIONS

AUDITOR'S OBSERVATION

Grounds Services management should consider revising contract specifications to require contractor's pictures to reflect GPS coordinates and/or other pertinent location identifiers typically available on most smartphones. This should provide irrefutable evidence to confirm service date and property location for properties serviced by the contractors.

FINDINGS & RECOMMENDATIONS

OBJECTIVE 3:

To evaluate internal control weaknesses that impact the effectiveness and efficiency of grass mitigation processes.

FINDING 3:

Although grass mitigation operations have significantly improved since the previous audit, we identified opportunities to further enhance operational effectiveness and efficiency.

During the course of our follow-up audit, we reviewed findings from the previous audit report (Grounds Services Grass Mitigation Process Performance Audit 2020) to ensure control weaknesses were addressed in current audit testing. We also reviewed the risk assessment, flowcharts, and process matrix to identify gaps that may not have been adequately addressed in current fieldwork testing. Additionally, we reviewed management's Corrective Action Plan (CAP) to determine if deficiencies from the previous audit were addressed.

Weaknesses in the grass mitigation process that require management attention are detailed below:

- We found no evidence of routine monitoring of Grounds Services operations to ensure controls were working as intended, employees were following established practices, and to identify unusual, questionable, or suspicious activity. Additionally, written guidance provided by Grounds Services management did not address monitoring procedures. As a result, we noted the following:
 - Questionable payments arising from multiple service requests for the same property (same day, same amount), and invoiced properties that included both the service charge and grass mitigation fee. (Refer to *Finding #1* for additional details).
 - Timeliness standards (five-day job completion, etc.) were not always met. (Refer to *Finding #2* for additional details).

CAP

Our assessment of management's planned corrective actions is noted below. For specific details regarding the current audit results for each area noted in this section, refer to the corresponding Findings.

Previous Audit Report - Finding 1

We provided one general recommendation with six specific focus areas to Grounds Services management regarding the validity and accuracy of contractor payments. Based on our assessment of the CAP, we determined:

- Four of the focus areas were implemented.

FINDINGS & RECOMMENDATIONS

- One focus area was in progress.
 - Training to be conducted with Grounds Services staff regarding invoice reviews.

NOTE: Since the invoices are now generated by Grounds Services staff, the focus should be on confirming the accuracy and completeness of the Summary of Jobs listing provided by the contractor to support the invoice.

- One focus area remains outstanding.
 - Written guidance provided by Grounds Services management did not include procedures for routine monitoring of payment activity. We also found no documented evidence of routine monitoring of payment activity.

Previous Audit Report - Finding 2

We provided 11 recommendations to Grounds Services management regarding compliance with applicable laws, regulations, contracts, and agreements. Based on our assessment of the CAP, we determined:

- Seven recommendations were implemented.
- Three recommendations were in progress.
 - Recurring (quarterly) meetings would be scheduled with the Office of Business Diversity and Compliance (OBDC) for additional guidance regarding contractors' poor performance and insufficient equipment.
 - Audits to be conducted by Neighborhood Improvement Administrator monthly.
 - GIS upgrades will include geotags to confirm locations of serviced properties.
- One recommendation remains outstanding.
 - We found no evidence of routine monitoring of grass mitigation operations to ensure staff are following established processes and to identify unusual, questionable, or suspicious activity.

Previous Audit Report - Finding 3

We provided two recommendations with specific focus areas to Grounds Services management regarding weaknesses impacting grass mitigation operations effectiveness and efficiency. Based on our assessment of the CAP, we determined:

- One focus area was in progress.
 - GIS upgrades will include geotags to confirm locations of serviced properties.

FINDINGS & RECOMMENDATIONS

- One focus area remains outstanding.
 - Development of specific exception reports or other data extracts from Oracle EBS and GIS to be reviewed for monitoring purposes (significant contract terms).

NOTE: The previous audit included testing for Conflict of Interest situations, due to multiple allegations received prior to that audit. Since none were reported during the period leading up to this audit (four years), we excluded it from our follow-up audit testing.

RECOMMENDATION(S):

Grounds Services management should develop guidance for monitoring activity, to include, but not be limited to:

- Payment activity (Job Detail Summaries with missing addresses, questionable payments, duplicate payments, etc.).
- Contractors' pictures to confirm adequacy of before and after pictures.
- Daily operations to ensure controls are working as intended and that staff is following established practices.