



**December 2024**

**DeKalb County Government  
Department of Watershed Management**

**Renee Group, Inc.  
Contract Performance Audit**

**FINAL REPORT**



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Lavois Campbell  
Chief Audit Executive

**WATERSHED MANAGEMENT  
CONTRACT PERFORMANCE AUDIT:  
RENEE GROUP, INC.  
AUDIT REPORT NO. IA-2023-128-DWM**

**FINAL**

**HIGHLIGHT SUMMARY**

**Why We Performed the Audit**

In accordance with the Office of Independent Internal Audit (OIIA) Annual Audit Plan, we conducted a contract performance audit of The Renee Group, Inc. The primary objective of this audit is to assess the internal controls related to the management of contracts with the Renee Group, Inc. (RGI) used by the Department of Watershed Management.

**How We Performed the Audit**

Our audit focused on the RGI Contract Performance, and the audit period concentrated on transactions from May 2018 through April 2023, where appropriate.

Our methodology included, but was not limited to, the following:

- Reviewed relevant policies, procedures, and standards.
- Examined supporting documentation to assess the effectiveness of controls in place.
- Interviewed appropriate County personnel and external parties.
- Performed sample tests of transactions.

**Background**

The Construction and Maintenance Division (C&M) in the Department of Watershed Management maintains DeKalb County’s water distribution and wastewater collection systems. This includes managing 2,500 miles of water pipes and 55,000 water valves, 2,300 miles of sewer pipes, and 75,000 manholes. C&M provides 24/7 emergency services for water leaks, sewer backups, and spills. RGI received five sewer and water contracts from DeKalb County from October 2017 through December 2023, totaling \$102,817,431.

**What We Found**

Detailed audit results begin on page 6 of this report. Below is a summary of our audit results:

Audit Findings
1. Justification for Some Work Orders Was Not Documented.
2. Variances, Between Initial Work Order Estimates and Actual Work Completed, Due to Undocumented Field Assessment Amendments.
3. Inconsistencies Between Vendor Invoices/Payment Application Line-Item Descriptions and Contractual Item Descriptions.
4. Some Inspection Reports and Before-and-After Photos Were Not Available to Confirm Verification of Work Execution Prior to Payment.
5. There is no Evidence that DWM Evaluated RGI’s Contract Performance and Certified Compliance with Contract Requirements Prior to Renewal of Contracts.
6. P&C Did Not Have Proof of Verifiable Contractor Experience for One of the Four Contracts Reviewed.
7. P&C Management Does Not Perform Credit and Background Checks on Contractors Prior to the Award of Multi-million Dollar Contracts.

**What we Recommend**

We recommend that the Department of Watershed Management should work with Purchasing and Contracting to address the internal control improvement opportunities identified in this report.

**How Management Responded**

The Department of Watershed Management agrees with the facts of the audit findings and has provided management action plans and timelines for addressing them.



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## BACKGROUND AND INTRODUCTION

The DeKalb County Department of Watershed Management (DWM) helps ensure public health and safety by providing safe drinking water and quality wastewater treatment. It manages over 5,000 miles of water and wastewater pipes and operates major facilities like the Scott Candler Water Treatment Plant and the Snapfinger Advanced Wastewater Treatment Plant.

The DeKalb County Board of Commissioners awarded The Renee Group, Inc (RGI) five contracts totaling **\$102,817,431** from June 2016 through August 2021. These contracts were to perform water and sewer repair and replacement throughout the county and were managed by DWM (See Table 1).

**Table 1 – Five contracts issued to The Renee Group**

The Renee Group, Inc. Contracts						
	Contract Title	Contract Number	Agreed Amount	Released Amount	Contract Date ("Effective from" date Per Oracle)	Termination Date ("Effective to" date Per Oracle)
1	19-101067 Consent Decree - Gravity Sewer Rehabilitation and Replacement (CD-GSRR) (Multiyear Contract with 1 Option to Renew)	1201890	\$30,461,755.70	\$12,300,804.00	8/15/17	12/31/23
2	Settlement and Release Agreement concerning 1TB 17-100810 Annual Water and Sewer (CPA for Tracking Purposes]	1075857	\$1.00	\$0.00	8/1/21	12/31/23
3	1TB 17-100810 Annual Water & Sewer Construction (Annual with 2 options to renew)	1068774	\$58,345,169.00	\$58,345,169.00	10/24/17	12/31/22
4	Concrete Forming, Placing, Finishing and Retainer Walls. The Renee Group, Inc. is the Alternate Award (1TB No. 16-100720)	1030383	\$1,010,505.00	\$985,505.00	9/30/16	9/30/19
5	On call Emergency Sewer Line and Manhole Repairs	1021802	\$13,000,000.00	\$12,996,270.28	6/28/16	7/31/19
	<b>Total</b>		<b>\$102,817,430.70</b>	<b>\$84,627,748.28</b>		

Source: County Financial Records

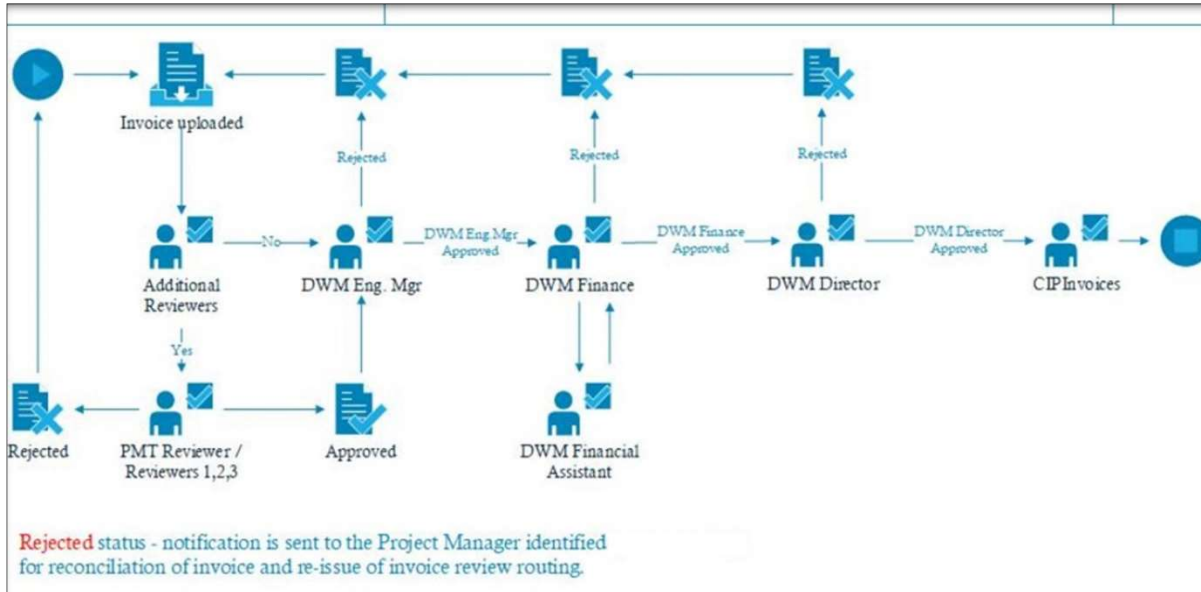
In the construction management process, a third-party Construction Manager (CM) plays a crucial role in verifying the accuracy of the vendor invoices, otherwise called the Payment Applications (PA). To ensure all work is documented correctly, the CM requires inspectors to submit daily inspection reports that include detailed accounts of the work performed and are supported by "before and after" photographs of various construction activities for the day and quantity measurements. Contractors are also required to send Daily Work Plans to the DWM prior to the scheduled workday. This enables DWM project managers (PMs) to visit the site to confirm the work location. Third-party inspectors are expected to be present at the work sites 100% of the time.

Following the inspection, a daily report is submitted to the DWM. The CM, DWM PM, and contractor then work together to reconcile the work performed and the quantities reported



in the PA with the inspection report. Once this reconciliation is complete, the contractor and the CM sign the monthly Payment Applications (PAs), which are submitted to DWM for various reviews and approvals before payment(See Figure 1).

**Figure 1 – DWM invoice routing process**



Source: DWM

## AUDIT SCOPE & METHODOLOGY

Our audit procedures included interviews with management and staff to understand the processes, internal controls, and other guidance used to review supporting documentation, where available, for the scope of work issued and tests of recently processed payment applications.

Our audit focused on the RGI Contract Performance, and the audit period concentrated on transactions from May 2018 through April 2023, where appropriate.

Our methodology included, but was not limited to, the following:

- Reviewed relevant policies, procedures, and standards.
- Examined supporting documentation to assess the effectiveness of controls in place.
- Interviewed appropriate County personnel.
- Performed sample tests of transactions.

## AUDIT RESULTS

Our audit noted deficiencies in controls for the management of the Renee Group Inc. (RGI) contracts by the Department of Watershed Management (DWM), including:

- 1) Specific justification for some work orders was not documented.
- 2) Amendments to work order estimates based on field assessments were not documented.



- 3) Inconsistencies observed between vendor invoices, line-item descriptions, and details as cited in the vendor contract.
- 4) The applicable inspection reports and before-and-after photos were not available to confirm verification of work execution prior to payment.
- 5) There was no evidence that DWM evaluated RGI's contract performance and certified compliance with contract requirements before the renewal of contracts.
- 6) P&C did not have proof of verifiable contractor experience for one of the four contracts reviewed. Vendor experience was verified for the subsequent three RGI contracts
- 7) P&C management does not perform independent credit and background checks on vendors prior to awarding contracts valued in the millions.

The following pages of this report detail audit findings and recommended actions that would help strengthen controls and mitigate risks noted.

### **FINDING 1: Justification for Some Work Orders Was Not Documented.**

Best practices for work order justification involve clearly articulating the need, benefits, and feasibility of the work order. This includes,

- Identify the Problem or Opportunity: Clearly describe the issue or opportunity the project aims to address.
- Evidence and Data: Provide evidence and data that support the existence and significance of the problem or opportunity.

DMW management stated that various processes are used to justify and prioritize work orders, such as water break history, age of pipes or sewers, hydraulic modeling results, city work data, and data from the DWM operations group. However, our audit testing revealed that the documentation of the specific justification for work orders requires improvement.

The following are the results of our testing related to two RGI contracts:

- 1068774 - Annual Water & Sewer Construction
- 1201890 - Consent Decree- Gravity Sewer Rehabilitation and Replacement

#### **(i) Contract 1068774 – Annual Water & Sewer Construction**

We selected a random sample of 25 work orders totaling **\$24,966,942** and requested the corresponding substantiating documentation from DWM. DWM provided reports listing the water break history and age of pipes or sewers, etc. This report did not reference specific work orders. The DWM did not maintain sufficient documentation of the specific justification for the scope and extent of the work orders we reviewed. Furthermore, we noted that three (3) of the 25 work orders, totaling \$663,528, were classified as “emergencies.” DWM management stated that a supervisor reviews the charges **after** the vendor completes the work. We did not observe after-the-fact work orders that documented the nature of the emergency and the specific justification to support the scope of work performed.





## (ii) Contract 1201890 Consent Decree- Gravity Sewer Rehabilitation and Replacement

We reviewed eight (8) work orders totaling **\$36,638,553**, focusing on 53 line items tied to primary assets. Like the contract ending 8774, no work orders or alternate documents specified the justification for the work. However, using asset numbers, the auditor could trace some work orders to Closed-Circuit Television (CCTV) reviews provided by a third-party contractor as part of the pre-assessment work. Of the 53 line items, 48 (91%) had a corresponding CCTV review justifying the work. Our review required detailed audit tracing of each asset to confirm the justification.

DWM management stated that ongoing assessments, including CCTV, smoke, and acoustic reviews, also help identify needed repairs. However, a process to document repairs identified by these assessments is required to ensure consistent, traceable work order justification.

Not documenting the justification for issuing a work order to a vendor can impede later audit reviews and can contribute to the following:

**Accountability issues:** It becomes difficult to hold the vendor or County management accountable for the decisions. This can lead to questions or disputes over why the work was necessary or whether the correct vendor was chosen.

**Quality Assurance Issues:** Without a documented justification, there may be no clear record of why specific repair methods or vendors were chosen. If the decision-making process is questioned later, this could lead to substandard work, impacting the longevity and safety of the infrastructure.

**Transparency:** Transparency is crucial in a public or government setting. Not documenting the justification can wear away public trust, especially if the repair is costly or significantly impacts the community.

### Recommendations:

The director of DWM should:

- Implement procedures to help ensure that the specific justification for each work order request is documented.
- Ensure that justifications are documented on the work order form and other documents referencing the specific work order.
- For water and sewer emergencies, ensure that an after-action document is prepared to justify the nature of the emergency and the work performed. The work order should be itemized to list all pay items, and it must include an authorized DWM field inspector signature verifying the work performed before the vendor submits an invoice/pay application.





**DWM Management Response:**

<b>Management Agreement</b>	<b>Description of Management’s Action Plan to Address Finding</b>	<b>Estimated Timeline to Implement Action Plan</b>
<input checked="" type="checkbox"/> <b>Agree</b> <input type="checkbox"/> <b>Disagree</b>	The department is actively developing an asset management program that clearly tracks an asset installation date, age, maintenance work, and need for repair or replacement. This can then be directly linked to the work orders issued to contractors to complete work. Also, current justifications will more clearly document the need for the project. On emergency repairs, work orders will be executed once the the scope has been defined.	Immediately for the justification and issuing of emergency work orders.  1 year for the asset management program.

**FINDING 2: Variances Between Initial Work Order Estimates and Actual Work Due to Undocumented Field Assessment Amendments.**

Cost Estimates provide a quantified expectation of the resources needed to complete a project. Estimates are typically expressed in currency (e.g., dollars), multiplied by the unit of measurement and labor cost (when required).

To ensure the accuracy, measurability, and observability of our estimates, we evaluated the following attributes:

1. Actual usage/invoiced work was between (-15%) to +20% of the work order estimate.<sup>1</sup>
2. Project work order estimates are prepared *before* work is initiated.
3. Estimates are based on measurable observations.

We reviewed RGI contracts 1068774 and 1201890 to determine whether the better practices noted above were consistently applied. We determined that Cost estimates for contracts 1068774 and 1201890 showed significant variances from acceptable thresholds (-15% to +20%), with undocumented scope adjustments and missing records of DWM-authorized amendments, limiting the ability to verify the stated processes. The following tables provide the results for each of the two contracts evaluated.

<sup>1</sup> Association for the Advancement of Cost Engineering (AACE) International Recommended Practice



(I) **Contract 1068774**, we selected 27 line items from a sample of 22 work orders. The following table summarizes the results of our analysis:

**Table 2.1 – Attributes used in testing estimates**

<b>Contract 1068774 - Attributes</b>	<b>Yes (Pass)</b>	<b>No (Fail)</b>	<b>Fail rate %</b>
1. Actual usage/work completed as per the vendor invoices was between -15% to 20% of the estimated amount of the work order.	9	18	<b>67%</b>
2. Project work order estimates are prepared/dated before work is initiated.	27	0	<b>0</b>
3. Estimates are consistent with measurable observations (GIS map).	21	6	<b>22%</b>

Source: Auditor's test work

(ii) **Contract 1201890**, we selected 62 line items from all eight work orders. The following table summarizes the results of our analysis:

**Table 2.2 – Attributes used in testing estimates**

<b>Contract 1201890 - Attributes</b>	<b>Yes (Pass)</b>	<b>No (Fail)</b>	<b>Fail Rate %</b>
1. Actual usage/work completed as per the vendor invoices was between -15% to 20% of the estimated amount of the work order for the sampled line items.	7	55	<b>89%</b>
2. Project work order estimates are prepared/dated before work is initiated.	56	6	<b>9.7%</b>
3. Estimates are consistent with measurable observations (GIS map).	50	12	<b>19%</b>

DWM stated that contract 1068774 and a portion of contract 1201890 were considered on-call contracts. As such, the larger-than-expected variations in work order estimates are because the initial work orders were a rough estimate of the scope of work, determined using engineering judgment based on the engineer's expertise and experience. The work order authorized the contractor to begin the preparatory assessments and field designs, with oversight by DWM personnel, to determine more accurate estimates of needed work.

However, this field assessment and design process to finalize work order estimates and the scope of work were not documented. Furthermore, the required DWM authorization of any amendments to the work order before the contractor proceeded with the amended work order was also not documented. Therefore, this audit could not verify the stated DWM process or the causes of the variances observed.

**Recommendations**

The director of the DWM should implement procedures requiring the documentation of all amendments to the work order estimates, including documenting the following:



- Justification (e.g., results of field design assessments) to support work order amendments.
- DWM authorization of the amendments **before** the contractor proceeds with the revised work order.

**DWM Management Response:**

<b>Management Agreement</b>	<b>Description of Management’s Action Plan to Address Finding</b>	<b>Estimated Timeline to Implement Action Plan</b>
<input checked="" type="checkbox"/> <b>Agree</b> <input type="checkbox"/> <b>Disagree</b>	Will include more detailed justification for transparency. Going forward, we will either amend existing work orders or issue new work orders for added scope before the contractor proceeds with the revised scope.	Immediately

**FINDING 3: Inconsistencies Between Vendor Invoices/Payment application Line-Item Descriptions and Contractual Item Descriptions.**

We randomly sampled eight (8) vendor payment applications containing 380 line items in contract 1068774. We found **14 instances where the line-item details on the vendor payment applications were inconsistent with those noted in the vendor contract.** For example, for a given item number, the unit price, description, and unit of measure differed from the information in the contract for the same item number. (See Table 3, which shows the differences in item descriptions.)

**Table 3** – Comparison of the Bid Item numbers and description from the Payment Application to the Bid Tab.

<b>As Per the Payment Application</b>		<b>As Per Unit Price Bid Form/Original Contract</b>	
<i>Bid Item No.</i>	<i>Description</i>	<b>Bid Item No.</b>	<b>Description</b>
615-1000a	6" Gate Valve	615-1000a	Jack and Bore 18" Steel Casing
615-1000b	GAB	615-1000b	Jack and Bore 20" Steel Casing
615-1000c	Saw Cutting	615-1000c	Casing & Install 12" ductile iron pipe
670-1180	Traffic Control	670-1180	Water Main, 8in Dip, 1 ft-8ft cover
670-1120	Change Item - Rock Excavation	670-1120	Water Main, 12in Dip, 1 ft-8ft cover

Source: Payment Application & Bid Tab

When the Unit Price Bid Form/contract descriptions do not align with item numbers and descriptions cited in the vendor invoice payment application, it can lead to discrepancies in understanding the scope of work performed by the vendor. It is unclear if it is the bid item number of the description on the vendor payment application that accurately represents the work done. It also led to overcharges where the price quoted on the PA was higher than the contract unit price for that item. Contractors may interpret the expected work performed differently than clients or project managers based on the bid form, which can result in:



- **Mismatched descriptions/unit prices** - this can also result in discrepancies in cost estimation. Contractors may base their payment applications on their understanding of the work completed, while project owners may have different cost expectations based on the bid form descriptions.
- **Mismatched descriptions**—This can lead to communication breakdowns between project stakeholders, including contractors, subcontractors, project managers, and clients. It can also result in misunderstandings regarding project progress, scope changes, and financial expectations.
- **Payment disputes** - Disputes could arise from significant discrepancies between unit price bid form descriptions/unit prices and payment application descriptions can have serious implications in construction contracts.

When the descriptions in the unit price bid form/contract do not match those in the payment application, clients or project owners may question whether the work invoiced aligns with the contract originally agreed upon. This can lead to delays or disputes over payment approval.

**Recommendations**

The director of DWM should implement documented procedures for reviewing invoices or payment applications to ensure invoiced line-item descriptions, unit prices, and units of measure align with the contract terms and vendor bid form. These procedures should include:

- Designated responsibility for cross-verifying unit price bid form item details with payment application item details to identify.
- Processes for addressing any discrepancies or inconsistencies before approving vendor payment.
- Maintenance of detailed records of the review's performance.

This will help prevent overbilling or underbilling and ensure accurate payments.

**DWM Management Response:**

<b>Management Agreement</b>	<b>Description of Management’s Action Plan to Address Finding</b>	<b>Estimated Timeline to Implement Action Plan</b>
<input checked="" type="checkbox"/> <b>Agree</b> <input type="checkbox"/> <b>Disagree</b>	Will train consultant and DWM construction managers on what to validate when approving invoices and to review information for previous quantity and payments.	90 days

**Finding 4: Some Inspection Reports and Before-and-After Photos Were Not Available to Confirm Verification of Work Execution Prior to Payment.**



Management indicated that vendor payment applications (PAs) are submitted monthly, detailing the amount due, assets involved (e.g., water/sewer pipes), work performed, asset location, performance dates, and the quantity of work completed.

A third-party construction manager (CM) verifies the work through daily inspection reports, including "before and after" photos, and approves the reports. Department of Watershed Management (DWM) project managers (PMs) also conduct site visits to ensure the contractor's work aligns with the PA. If no work is observed during these visits, the contractor is not paid for that portion of the PA.

DWM noted that the Construction Manager, as an alternative to using photos, uses data from the field inspector and knowledge to determine the reasonableness of the vendor's stated quantification of the work completed. The construction manager compared the details on the PA against the project design documents to verify consistency with the pipe depth, soil excavation, restoration work, and other items.

We reviewed two contracts with the Renee Group, Inc. (contract #1201890 and Annual Water & Sewer contract #1068774) to assess the PA review process. Five attributes were tested for verification before payment:

1. Documented PA approval workflow (in SharePoint).
2. Traceability of PA work to daily inspection reports.
3. Support of PA work with "before and after" photos/videos.
4. Timely PA reconciliation.
5. Evidence of PA review.

Verification documents include work orders, inspection reports, and "before and after" photos. Work orders outline the scope of work and provide quantity and cost estimates. Inspection reports detail the contractor's daily work. PAs document the pay items, quantities used, and the amounts charged to the County, with reconciliations summarized in the Application and Certification for Payment (AIA Document G702). All levels of PA review are tracked in SharePoint.

Our audit focused on primary assets; for example, if a 24" Ductile Iron Pipe (DIP) was to be installed, we reviewed photos of the installed pipe rather than auxiliary work like gravel or pavement. The following is the result of our tests:

**(i) For CE 1890**, we randomly selected 84 line items from 21 PAs. We noted that:

- **14% of the items sampled did not have inspection reports** to validate vendor charges.
- **25% of items did not have photographic or video evidence** to support the work performed.

**(ii) For CE 8774**, we selected 17 line items from 8 PAs and found that:

- **65% of the items were missing inspection reports** and "before" photos to independently verify completion of the work on the primary asset sampled.



Clear, concise, and consistent documentation is essential to help *independently* confirm the work completed as invoiced by the vendor. The absence of documented verification also increases the risk of financial losses due to unverified charges, jeopardizing the financial integrity of the projects.

**Recommendations**

The DWM director should implement the following measures:

Standardized Process:

- Develop and enforce a standardized procedure for creating and submitting inspection reports and photographic evidence at all construction stages.

Training and Awareness:

- Provide training for all project personnel on the importance of thorough documentation and the correct report and photo submission procedures.
- Highlight the role of documentation in ensuring quality control, financial integrity, and regulatory compliance.

Integration of Technology:

- Use mobile apps and cloud-based platforms to streamline documentation, enabling real-time updates and easy information sharing.
- Implement digital tools for efficient, real-time documentation and accessible records.

Compliance Monitoring:

- Establish a system of checks and balances to ensure documentation is completed and submitted as required.
- Periodically engage supervisors or third-party inspectors to verify compliance with documentation standards.
- Implement a tracking system to monitor all required documents' submission and approval status.

**DWM Management Response:**

<b>Management Agreement</b>	<b>Description of Management's Action Plan to Address Finding</b>	<b>Estimated Timeline to Implement Action Plan</b>
<input checked="" type="checkbox"/> <b>Agree</b> <input type="checkbox"/> <b>Disagree</b>	The department is actively acquiring a robust project management software which will help the tracking of cost and justification of projects from inception through warranty.	12 months – 3 months for the cooperative procurement and 9 months for implementation of software



**FINDING 5: There is no Evidence that DWM Evaluated RGI’s Contract Performance and Certified Compliance with Contract Requirements Prior to Renewal of Contracts.**

The DeKalb County Purchasing Policy states, “The user department must certify in writing to the Purchasing and Contracting Department (P&C) that the contractor has performed satisfactorily and met all the requirements outlined in the original award for a renewal to be approved/recommended.” Furthermore, “The Director (Chief Procurement Officer) is authorized to establish a vendor performance rating system for use in eliminating those suppliers who fail to perform or who perform unsatisfactorily. Rating systems may be used for evaluation and award purposes.”

**DWM management did not certify in writing that the contractor met all the requirements set forth in the original award before two of four contracts totaling \$21,056,178 were recommended by the user department and approved by the BOC.** Furthermore, the user department's recommendation forms did not indicate whether the contractor had performed previous work satisfactorily or unsatisfactorily.

**Table #3: Renewal Dates and Amounts for the two contracts**

<b>Contract #</b>	<b>BOC Approval Date</b>	<b>Amount</b>
1030383 - Renewal #1	8/22/2017	\$ 631,178
1030383 - Renewal #2	9/11/2018	\$ 425,000
1068774 - Renewal #1	7/24/2018	\$ 9,000,000
1068774 - Renewal #2	6/25/2019	\$11,000,000
<b>Total</b>		\$21,056,178

*Source: P&C Contract Data*

In addition, DWM did not perform ongoing vendor ratings to periodically assess vendor performance, including where the vendor performed unsatisfactorily.

Not conducting ongoing performance evaluations for vendors responsible for infrastructure repair and maintenance can have critical consequences. The DWM relies on these vendors to maintain and repair essential infrastructure. Without regular assessments, undetected vendor performance deficiencies could lead to substandard repairs or neglected maintenance, increasing the risk of infrastructure breakdown.

Moreover, the absence of a formal, documented assessment of the vendor’s performance at the end of the contract term—precisely determining if the vendor’s work was satisfactory or unsatisfactory—before renewing or extending the contract can perpetuate the use of a poor-performing vendor. This oversight could lead to escalating repair costs, delayed project timelines, and diminished public trust in the department's ability to manage critical infrastructure effectively.





**Recommendations**

**The Director of DWM should:**

Implement procedures requiring all DWM vendor contracts to be regularly evaluated during the contract's life. In addition, at the end of the contract, DWM should prepare a written certification to the Purchasing and Contracting Department (P&C) that the contractor has performed satisfactorily and met all the requirements outlined in the original award for a renewal to be approved/recommended.

**The Chief Procurement Officer should:**

- Revise the DeKalb County Purchasing Policy to clarify that user departments **should** perform regular performance evaluations.
- Conduct training on the minimum requirements for evaluating and documenting contractor's performance against contract terms.

**DWM Management Response:**

<b>Management Agreement</b>	<b>Description of Management's Action Plan to Address Finding</b>	<b>Estimated Timeline to Implement Action Plan</b>
<input checked="" type="checkbox"/> <b>Agree</b> <input type="checkbox"/> <b>Disagree</b>	Will perform at a minimum two vendor evaluations per year	Immediate

**P&C Management Response:**

<b>Management Agreement</b>	<b>Description of Management's Action Plan to Address Finding</b>	<b>Estimated Timeline to Implement Action Plan</b>
<input checked="" type="checkbox"/> <b>Agree</b> <input checked="" type="checkbox"/> <b>Disagree</b>	Agree with the recommendation in Part and Disagree in Part.  P&C agrees. Revising the DeKalb County Purchasing Policy to require that the UD submit quarterly contractor performance evaluations will help mitigate risks of vendors that are low performing and unable to complete and/or provide quality work products and/or services. This will ensure that contractor's that are consistently failing are not being recommended for future awards.	Estmd Q3 2025 – provided new administration approves such revision. CPO not authorized to unilaterally implement such changes to existing policy.
<b>Other Comments / Reason For Disagreement:</b> P&C Disagrees. Purchasing and Contracting (P&C) has an existing [internal] process in place that requests the User Department (UD) submit to P&Cs Operations Team quarterly and, at minimum, yearly		



performance reports on all contracted vendors. Per P&Cs internal standard operating procedures (SOP) under section 8.12 Contract Renewals, a review of vendor performance reports for discussion with the UD is required before a UD completes their renewal recommendation for submission for award. Vendor performance reports are also requested from the UD if none have been submitted as a part of the continued evaluation process. Additionally, as per P&C internal SOP section 4.0 - procedures for Bid Evaluation Report, vendor performance evaluation reports are used during the evaluation process. P&C's existing internal process includes explaining to UDs the minimum requirements for vendor performance reviews. However, P&C would not be able to provide training on how to evaluate and document a contractor's performance against contract terms because the vendor is being evaluated against the UD's scope of work (SOW) and the requirements of said contract. Evaluation is based on the subject matter expert (UD), not the Procurement Professional.

### **FINDING 6: P&C Did Not Have Proof of Verifiable Contractor Experience for One of the Four RGI Contracts Reviewed.**

Purchasing & Contracting Management advised that contractors are selected based on experience depending on the scope of work. For example, the experience/qualifications required to install/repair smaller-sized water/sewer lines may differ from those required to install/repair larger-sized lines.

Contract 1021802 for On-Call Emergency Sewer Line and Manhole Repairs was originally awarded for \$3 million. The contract was last invoiced in July 2019, and the total payments made were \$12,941,495. P&C could not demonstrate that the vendor/contractor had the necessary experience to carry out the specified work before the award of contract # 1021802. However, we determined that the vendor experience was verified for the three subsequent RGI contracts (1030383, 1068774, and 12018903).

When management does not consistently obtain proof of verifiable contractor work experience, the risk of hiring unqualified contractors and the likelihood of poor performance increases. In addition, hiring a contractor with unverified expertise may result in the following:

- Subpar Work Quality
- Project Delays
- Increased Costs
- Safety Issues
- Difficulty in Addressing Issues

By diligently checking references and verifying experience, management can better ensure the selection of competent contractors and the successful completion of projects.



**Recommendations**

The Chief Procurement Officer should work with user departments to:

1. Enforce a Standardized Experience Verification Process: Develop and enforce a standardized process for verifying contractor experience that aligns with the scope of work required. This process should include:
  - Experience Documentation Requirements: Specify the types of documentation required to prove experience, such as project references, completion certificates, or case studies.
  - Verification Procedures: Include steps for verifying the authenticity of the submitted documentation, such as contacting previous clients or reviewing project performance records.
  - Maintain Comprehensive Records: Keep detailed records of each contractor's experience verification efforts and findings. This documentation should be included in the Bid Document Package and available for review during audits or assessments.
2. Provide training for procurement agents and user departments: Offer training on assessing and verifying contractor experience effectively. This training should cover how to interpret experience documentation and how to evaluate whether a contractor's past projects are comparable to the current scope of work.

**P&C Management Response:**

<b>Management Agreement</b>	<b>Description of Management's Action Plan to Address Finding</b>	<b>Estimated Timeline to Implement Action Plan</b>
<input checked="" type="checkbox"/> Agree <input checked="" type="checkbox"/> Disagree	Agree in Part and Disagree in Part.  P&C Agrees. This emergency procurement request allowed for an RFQ process. In this instance, the staff member who completed the emergency procurement request that resulted in Contract No. 1021802 did not complete the P&C standardized experience verification process. This staff member has been removed from performing direct procurement services since 2016.	Already implemented and additional improvements anticipated within Q1 2025
<p><b>Other Comments/Reason For Disagreement:</b> P&amp;C Disagrees. For all competitive solicitations, P&amp;C has a process and training for reference verifications. This is process is required to confirm that the recommended bidder/proposer can perform said SOW as outlined in the solicitation. The resulting information is provided to the UD to assist in determining their recommendation. This review supports whether a bidder/proposer is deemed responsible for the qualifications outlined in the solicitation. In addition, currently, all documentation related to determining responsibility or responsiveness is maintained in the procurement file.</p>		



## FINDING 7: P&C Management Does Not Perform Credit and Background Checks on Contractors.

Before awarding multi-million contracts, credit and background checks on contractors should be conducted to help mitigate risks and protect DeKalb County's and its stakeholders' interests. According to the National Institute of Government Procurement, selection criteria may include questions to determine whether the contractor is responsible and has the capability and capacity to perform/deliver. The selection criteria consist of several elements, including criminal history, background, and reference checks.

Based on conversations with P&C management, we determined that credit and criminal background checks are not performed. However, they request references and proof of business licensing, and the Secretary of State's website is researched to verify the current existence of the corporate entity under which the prospective contractor operates (e.g., Corporations, LLCs/LLPs). When procuring via RFP, to ensure a contractor has a stable financial background, P&C requests financial information directly *from the contractor*, which the County's Finance Department reviews for any "going concern."

Not conducting credit and background checks on construction contractors for multi-million-dollar projects can have severe and wide-ranging consequences for the county, particularly in areas involving substantial financial investments, regulatory compliance, and public safety. Performing financial credit and background checks for vendors ensures that those awarded multi-million-dollar county contracts are financially stable and reputable, reducing risks of noncompliance, delays, or misuse of public funds. This protects taxpayer money and supports informed decision-making in the vendor selection process.

### Recommendations

P&C management should work closely with user departments and the Department of Finance to perform independent financial and background verifications before awarding contracts to individuals or companies, especially for contracts valued in the millions and involving critical infrastructure. Consider utilizing third-party services for:

- Financial verification and credit checks
- Background and criminal record checks at the county, state, and federal levels.

### P&C Management Response:

<b>Management Agreement</b>	<b>Description of Management's Action Plan to Address Finding</b>	<b>Estimated Timeline to Implement Action Plan</b>
<input checked="" type="checkbox"/> <b>Agree</b> <input checked="" type="checkbox"/> <b>Disagree</b>	Agree in Part and Disagree in Part  P&C Agrees. Background and credit verifications of all contractors is not currently performed. P&C is currently	Q1 2025 – requires Administration approval of P&C budget request to implement



	<p>refining an evaluation criteria and exploring available subscription services that offer such verification services. Market research indicates that available subscriptions don't all offer the same services and the more verification information sought, the higher the expense.</p> <p>Exploring and implementing an appropriate subscription service will also prevent undue burden on the Finance Department's sole staff member currently responsible for financial statement reviews performed under the existing RFP procurement process.</p>	
<p><b>Other Comments/Reason For Disagreement:</b> P&amp;C Disagrees. P&amp;C's current process includes submittal to the Finance Department of RFP proposer financial statements for review of financial stability for all RFP submittals. Additionally, P&amp;C confirms if a bidder/proposer has been debarred and/or suspended. That verification may also assist in determining if a business has been involved in any criminal activity/conduct, fraud, falsifying documents, and violating policies or regulations.</p>		



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## APPENDICES

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### Appendix I – Purpose, Scope, and Methodology

#### Purpose

The objective of this audit was to determine whether RGI contracts were properly managed and whether internal controls over the DWM’s processes were adequately designed and operating as intended.

#### Scope and Methodology:

The audit procedures included interviews with management and staff to gain an understanding of the processes and internal controls and other guidance used to review supporting documentation, where available, for the scope of work issued and tests of recently processed payment applications.

Our methodology included, but was not limited to, the following:

- Reviewed relevant policies, procedures, and standards.
- Examined supporting documentation to assess the effectiveness of controls in place.
- Interviewed appropriate County personnel and external parties.
- Performed sample tests of transactions.



## Appendix II – Management Response



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770.621.7271 (f) | 1580 Roadhaven Drive  
DeKalbCountyga.gov | Stone Mountain, GA 30083

**David E. Hayes, Director**

December 09, 2024

Lavois Campbell  
Chief Audit Executive  
Office of Independent Internal Audit  
1300 Commerce Drive, Suite 300  
Decatur, Georgia 30030

RE: **Management Response to “Renee Group Inc. Contract Performance Audit  
FINAL DRAFT Report - IA-2023-128-DWM”**

Chief Executive Officer  
Michael Thurmond

Board of Commissioners

District 1  
Robert Patrick

District 2  
Michelle Long Spears

District 3  
Vacant

District 4  
Stephen Bradshaw

District 5  
Mereda Davis Johnson

District 6  
Edward “Ted” Terry

District 7  
Vacant

Dear Mr. Campbell:

In accordance with DeKalb County, Georgia – Code of Ordinances / Organizational Act Section 10A- Independent Internal Audit, this is our response to the audit named above provided in this document. As required by the ordinance, our response includes 1) a statement regarding our agreement or disagreement along with reasons for any disagreement, 2) our plans for implementing solutions to issues identified, and 3) the timetable to complete such plans.

If you have any questions about this response, please contact the following.

Sincerely,

**David Hayes, Director, Watershed Management**

**Michelle Butler, Chief Procurement Officer**





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## Appendix III – Definitions and Abbreviations

### Acronyms and Abbreviation

Department of Watershed Management – DWM

Procuring & Contracting – P&C

Construction Manager – CM

Payment Application – PA

Construction and Maintenance Division – CM

Project Managers – PM

Close Circuit Television – CCTV

Contract Ending In – CE

### Definitions

**Cured-in-Place Pipe (CIPP)** is a trenchless method for repairing pipes that involves inserting a flexible liner into an existing pipe and hardening it to create a new pipe within the old one.

**Open cut**, as the name implies, is a method of pipeline installation that requires opening up the surface of the ground to the required depth for installing a pipeline.

**Payment Application:** A document or digital form is used to request payment to a vendor or supplier for goods or services rendered. This form ensures that all necessary information is provided to facilitate the payment and may be part of the internal accounts payable process. A vendor payment application is used for more complex and ongoing projects, while an invoice is used for one-off purchases or services.



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## **DISTRIBUTION**

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Michelle Butler, Chief Procurement Officer

### **Statutory Distribution:**

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Michelle Long-Spears, Board of Commissioners District 2

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Kwasi K. Obeng, Chief of Staff, Board of Commissioners

Cassandra Marshall, Assistant Director - Capital Improvement Projects, DWM



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## PROJECT TEAM

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**This report was submitted by:**

*Lawrence Clark*

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Lawrence Clark, CFE  
Internal Auditor, Senior.  
Office of Independent Internal Audit

12/17/2024

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Date

*Audrey Pogue*

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Audrey Pogue, BA, MBA  
Internal Auditor, Staff  
Office of Independent Internal Audit

12/17/2024

---

Date

**The report was reviewed and approved by:**

*Lavois Campbell*

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Lavois Campbell, CIA, CFE, CGA-CPA  
Chief Audit Executive  
Office of Independent Internal Audit

12.17.24

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Date



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## STATEMENT OF ACCORDANCE

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### Statement of Accordance

*The mission of DeKalb County is to make the priorities of the citizens of DeKalb County; the priorities of County government - by achieving a safer DeKalb, building stronger neighborhoods, creating a fiscally accountable and more efficient county government and uniting the citizens of DeKalb County.*

*The mission of the Office of Independent Internal Audit is to provide independent, objective, insightful, nonpartisan assessment of the stewardship or performance of policies, programs and operations in promoting efficiency, effectiveness and integrity in DeKalb County.*

*This performance audit was prepared pursuant to DeKalb County, Georgia – Code Ordinances/Organizational Act Section 10A- Independent Internal Audit. 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.*

*This report is intended for the use of the agency to which it was disseminated and may contain information that is exempt from disclosure under applicable law. Do not release without prior coordination with the Office of Independent Internal Audit.*

*Please address inquiries regarding this report to the Office of Independent Internal Audit at 404-831-7946.*