



# CITY OF SAN ANTONIO

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May 1, 2008

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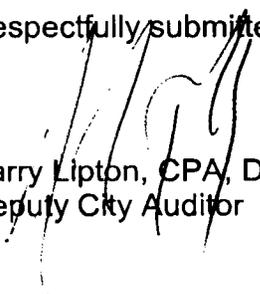
Mayor and Council Members:

**SUBJECT: SAPD Wrecker Services Contract Audit Report**

We are pleased to send you the audit report of the SAPD Wrecker Services Contract. This audit began in August 2007 and concluded with a final meeting with department management in April 2008. The SAPD should be commended for its cooperation and assistance during this audit.

The Office of the City Auditor is available to discuss this material with you individually at your convenience.

Respectfully submitted,

  
Barry Lipton, CPA, DABFA  
Deputy City Auditor

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**CITY OF SAN ANTONIO**  
**OFFICE OF THE CITY AUDITOR**  
**Barry Lipton, CPA, DABFA**

**Audit of Wrecker Services Contract**

**San Antonio Police Department**

**Project No. AU07-016**

**Issue Date: May 1, 2008**

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## INTRODUCTION

On April 24, 2003, City Council approved Ordinance 97533, authorizing the Wrecker Services Contract (contract) with TXTOW Corporation D/B/A Texas Towing Corporation (contractor). The term of the contract is 7 years, May 2003 through May 2010.

The San Antonio Police Department (SAPD) is responsible for managing the contract. Contract services include towing of citizen-owned vehicles from public roadways and properties that have been abandoned, involved in collision, parked in violation of the law, need to be checked for evidence, or belong to prisoners. The contractor is also responsible for towing designated City-owned vehicles, as well as providing battery jumps and tire changes to these vehicles. Services also include the clean up and containment of all debris, materials, and hazardous materials from the scene of an accident (HazMat incidents). The contract delineates prices for these towing and cleanup services. Towing rates for City-owned vehicles are lower than those for citizen-owned vehicles. For example, as of July 2007, the charge for a light duty tow of a City-owned vehicle was \$23, whereas the same charge for a citizen-owned vehicle was \$70.

SAPD contacts the contractor for required towing and/or HazMat incident services regarding citizen-owned vehicles. Once the work is performed, the contractor completes a SAPD Towing Service Record (TSR), which details the charges for that tow or cleanup service. SAPD receives a copy of each TSR and is responsible for reviewing the TSR charges for accuracy.

When a City-owned vehicle requires tow, Fleet Maintenance and Operations Department contacts the contractor directly. The contractor completes its own invoice, instead of a TSR, with detailed charges for each City-owned vehicle towed. Fleet Maintenance and Operations Department is responsible for reviewing the invoice charges for accuracy.

The number and dollar value of TSRs and invoices for the audit period June 2003 through July 2007 is summarized below:

	<u>Number</u>	<u>Dollar Value</u>
Citizen-owned vehicle tows (TSRs)	189,519	\$15,345,872
City-owned vehicle tows (Invoices)	21,491	759,872
HazMat Incident Cleanups (TSRs)	<u>140</u>	<u>889,636</u>
Total	<u>211,150</u>	<u>\$16,995,380</u>

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

As requested by City Management, we conducted an audit of the Wrecker Services Contract. We performed the audit to determine if the contractor:

1. Has any subcontractor or other relationships that are in violation of the contract.
2. Has overcharged the City or other paying customers.

The audit period was from June 2003 through July 2007.

We evaluated internal controls, and performed analytical and statistical testing to determine if the contractor overcharged the City or other paying customers. We reviewed Fleet Maintenance and Operations' internal controls for processing contractor invoices and tested the controls to determine if they were working as intended. To perform our analytical and statistical testing, we obtained copies of TSRs and the contractor's Towing Operations Software (TOPS) database and compared detailed charges for services provided to prices specified in the contract.

We compared the contractor's TOPS database to the contractor's semi-monthly billing statements to the City to determine completeness. We utilized the City's accounting system (SAP) to verify the accuracy of the minimum annual payments. (See Appendix A for details). We physically verified vehicles towed to the Growden Impound Lot to corresponding TSRs. We interviewed personnel from SAPD Wrecker Services Unit, Growden Impound Lot, Resource Management, and Fleet Maintenance and Operations, as well as from the contractor. We researched the Accurint website, as well as State of Texas and Bexar County records to identify any businesses and/or relationships associated with the contractor.

We did not evaluate contractor performance because it was not included as one of the requested audit objectives.

We conducted our audit from September 2007 through February 2008 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 included tests of management controls that we considered necessary under the circumstances.

## CONCLUSIONS

We determined the following:

1. Overall, our testing of contractor relationships disclosed no subcontractor or other relationships that were financially harmful to the City. Prior to our audit, SAPD management learned the contractor was using All Hazard, a company it owns, for HazMat cleanup services under the contract. In August 2007, the contractor agreed to no longer use All Hazard. From a technical perspective, the contractor was in violation of the contract by using a wholly owned subcontractor; however, there was no financial harm to the City because the costs billed were within the firm fixed prices delineated in the contract.
2. Overall, the contractor has not overcharged the City or other paying customers. Table A below summarizes the total number and dollar value of all tows and HazMat incident cleanup charges for the audit period we tested.

**Table A**

**Tows and HazMat Incident Cleanups from June 2003 through July 2007**

Type	Total		Total Tested	
	<u>Number</u>	<u>Dollar Value</u>	<u>Number</u>	<u>Dollar Value</u>
General Towing <sup>1</sup>	211,010	\$16,105,744	204,059	\$15,425,964
HazMat Incident	<u>140</u>	<u>889,636</u>	<u>135</u>	<u>875,375</u>
Total	<u>211,150</u>	<u>\$16,995,380</u>	<u>204,194</u>	<u>\$16,301,339</u>

<sup>1</sup> General towing numbers and amounts include both Citizen-owned and City-owned vehicle tows.

## STAFF ACKNOWLEDGEMENT

Barry Lipton, CPA, DABFA, Deputy City Auditor  
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Michael Dobratz, CIA, CISA, Auditor-in-Charge  
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Baltazar Vargas, Auditor

## **APPENDIX A**

### **OTHER RELEVANT MATTER**

According to the contract, the City is guaranteed a minimum annual guarantee (MAG), which is paid semi-monthly by the contractor during the contract year. The MAG increases from \$355,000 in the first year to \$385,000 in the seventh year. However, beginning the second year of the contract, if the MAG is less than 10 percent of the gross value of the contract, the minimum payment to the City is 10 percent of the gross value of the contract for that year. Therefore, for contract years two through seven, the City receives the greater amount of the MAG or 10 percent of the gross value of the contract.

During some of the months in contract years two and three (2004-2005 and 2005-2006), 10 percent of the gross value of the contract was greater than the MAG. In 2006, SAPD performed a reconciliation of these years and miscalculated the MAG on a semi-monthly basis instead of an accumulated annual basis. As a result of the reconciliation, the contractor paid the City \$32,225 instead of \$10,329 actually due. This resulted in an overpayment of \$21,896 to the City. We discussed this issue with SAPD management on February 6, 2008 and they agreed with our calculation of the annual minimum payments for those years.