THE CITY OF SAN DIEGO

DATE: February 23, 2009

TO: Jim Fisher, Deputy Director, Water Department

FROM: Eduardo Luna, City Auditor

SUBJECT: **Hotline Investigation of the Duplication of Water Meter Box Replacement Work**

The Office of the City Auditor conducted an investigation of the Water Department's meter box replacement work in response to a call made to the City's Fraud Hotline. The citizen caller alleged that the City is performing duplicate and unnecessary replacement of meter boxes causing waste of City resources. The caller indicated that the City replaced the water meter box on his property twice in the same year – once in May 2008 and then again in October 2008.

Our investigation concluded the allegation was substantiated. The Water Department confirmed that a City contractor had replaced the second box in error. As a result, we expanded our testing to determine if the duplicate replacement was an isolated incident or occurring on a greater scale. We found that approximately 92 addresses are proposed to have water meter box replacement work performed under the current contracts despite having meter boxes replaced or repaired in FY 2007 or FY 2008. We estimate the potential duplicate and unnecessary replacement costs to the City for these 92 water meter boxes is at least $30,728.

We verified that Water Department staff has instructed the Contractor to skip over boxes in good working condition rather than replacing them. In addition, we recognize that the expected lifespan of water meter boxes is unknown – boxes should be replaced when they are broken.

We recommend the Water Department recover the cost of the unnecessary duplicate replacements from the contractor and implement more thorough procedures to monitor the project to prevent unnecessary meter box replacements in the future. In addition, we recommend the Department monitor the project to ensure that complete meter boxes (lid and box) are not being replaced when repairs are sufficient to mitigate box problems.

OFFICE OF THE CITY AUDITOR
1010 SECOND AVENUE, SUITE 1400 • SAN DIEGO, CA 92101
PHONE 619 533-3165, FAX 619 533-3036

We appreciate the cooperation that we received from you and your staff during our investigation. Below is the response you provided. Thank you for taking action on this issue. Please contact me if you have any questions.

Water Department's Response

In review of the 92 addresses which were proposed to have meter boxes replaced by the contractor, the Water Department has determined that there were twelve (12) addresses in which City crews and the contractor replaced meter boxes. The other eighty (80) boxes were either skipped by the contractor or have been placed on hold until Water Department staff confirms the need for replacement.

Meter box installation work associated with the Meter Box Replacement Contract began on October 20, 2008. On the afternoon of October 20th, the Water Department received two (2) complaints (7122 Cather Court and 4227 Rous St) that the City's contractor was replacing their meter box, which had been replaced 4-6 months earlier. Water Department staff immediately looked into the complaints and confirmed the validity of the complaints. On October 21, 2008, City staff spoke to the contractor regarding the complaints and the contractor indicated they thought the contract was to replace the old style concrete boxes with polymer-composite style boxes regardless of condition. City staff conveyed to the contractor the intent of the contract. The contractor understood and indicated they would use their best judgment in replacing only boxes which were in poor condition.

All twelve (12) boxes identified above were replaced by the contractor prior to the first contractor invoice date of November 2, 2008. We are unable to determine the exact date of each replacement; however the contractor has been replacing 10-15 boxes per day so all boxes could have been replaced in the first 2 days of the contract. In a review of all work performed by the contractor, it has been determined that the contractor has not replaced a box, which has been previously replaced by City Crews, after the first invoice date of November 2, 2008. To date, the contractor has skipped 115 of the 926 boxes due to the good condition of the box.

In regards to the recommendation of recovering the costs of the unnecessary duplicate box replacements, the Water Department does not feel this is warranted, nor fair to the contractor. As stated above, the contractor originally thought the contract was to replace the old style concrete boxes with polymer-composite style boxes regardless of condition. In addition, once clarified the contractor has not replaced a box which had been previously replaced by City crews. Lastly, it should be noted that the contractor has been very cooperative with assisting us in ensuring that only damaged boxes are replaced even though the contract document was not specific and has resulted in a lower contract value then anticipated.

In regards to the recommendation of implementing more thorough procedures to monitor the project, the Water Department has taken additional steps to ensure that only damaged boxes are provided to the contractor for replacement.

cc: Honorable Mayor Jerry Sanders
Honorable City Council Members
Honorable Audit Committee Members
Jay M. Goldstone, Chief Operating Officer
Mary Lewis, Chief Financial Officer
Jim Barrett, Director of Public Utilities
Jan Goldsmith, City Attorney
Andrea Tevlin, Independent Budget Analyst
Stanley Keller, Independent Oversight Monitor