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Report of Investigation and Review

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INVESTIGATOR: Peter Pacheco

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Executive Summary

The Office of the Inspector General (OIG) for the City of Albuquerque (COA), New Mexico conducted a thorough review of the contracts between the COA and Beehive Technology, LLC (hereinafter referred to as Beehive). The OIG reviewed the process by which the COA procures contracts from vendors, and the allegation of a potential relationship between a former COA Director (D1) and the owner and subcontractor of Beehive.

According to the initial complaint from a COA employee, Beehive was being used as a front to pay a subcontractor (SC1), who previously had a contract with the COA under a different name, Organizational Change Management, LLC. (OCM). The allegation stated that OCM had reached the contract limit with the COA and is why the company name of Beehive was being utilized. The complainant alleges that the owner of Beehive did not conduct any actual work for the COA nor was she present to complete work. The subcontractor was the only person who was seen completing work on this project. Additionally, the OIG was advised that SC1 resides in Florida and travels to Albuquerque to consult on behalf of Beehive.

The scope of this investigation included looking into policies and procedures involving the procurement process. Additionally, a review of any possible staff favoritism involved to select vendors where a personal relationship might exist.

Prior to be appointed as Director of AWD, D1 was the interim director/deputy director for the Environmental Health Department (EHD). While D1 was at EHD, the department had a contract with OCM (SC1) for business transformation services. The point of contact listed on OCM’s Statement of Work was D1. The OCM contract was originally budgeted at $16,064.28, however, four supplemental agreements were approved for a total contract maximum of $225,000. During the contract with EHD, SC1 was also doing work for five other City departments. During some billing periods, SC1 was getting paid for working on three different department contracts on the same dates. SC1 was a resident of Albuquerque until December 2015 when she moved to Florida.

Towards the end of OCM and SC1’s contract with EHD, D1 and several other department heads sought to continue working with SC1 by creating a new contract. The City’s Purchasing Division stated a new contract would need to be competitively bid. It was the OIG’s understanding that it had not been competitively bid in the past. In speaking with several City employees involved in the procurement process the RFP was halted when D1 transitioned to AWD.

While transitioning and working as Interim Director for both EHD and AWD, a contract was signed on July 10, 2018 between Beehive and AWD with a budget of $25,000. An additional $25,000 of funds was added through a Supplemental Agreement in January 2019. Beehive has one employee and subcontracted the work to SC1.

It cannot be determined exactly what services were provided to the City or how the amount of compensation on each invoice was calculated.
During the course of the investigation it was determined the process of procurement for the contract with Beehive was flawed due to:

1. No competitive bid
2. Favoritism
3. Collusion
4. Conflict of interest
5. The contract was vague and did not specifically described deliverables

During the administration of the contract:

1. There were weak internal controls;
2. There was vague or missing documentation of deliverables
3. The lack of written approval for the use of a subcontractor which was cause for canceling the contract;
4. SC1 working for AWD before any contract was signed;
5. Failure of invoice approvers to provide due diligence;
6. Failure of management to provide proper oversight of contract;
7. Duplicate dollar amount invoices with weak or no documentation of deliverables;
8. COA staff and contractor personal relationships.

The OIG is making the following recommendations:

1. Written policies and procedures are created listing specifically what is required to support any invoice submitted for payment whether it be electronically or by other means.
2. City department approvers are properly trained on specifically what is required to support an invoice and to ensure it is included before payment approval.
3. Future Professional Technical Contracts are required to give specifics of the scope of work to be performed.
4. City Professional Technical Contracts contain specific information regarding scope of services and hourly rates are stated in the contract.
5. Purchasing should create a system to identify vendors that have a history of substandard performance or questionable bid submission that may have indicators of potential fraud.
6. C1 and SC1 and any companies owned/operated by them be debarred from further business with the City.
Abbreviations

AC - Associate Controller
AWD – Animal Welfare Department
AWD1 – Animal Welfare Department Invoice Approver
AWD2 – Animal Welfare Department Invoice Approver
AWD3 – Animal Welfare Department Invoice Approver/Fiscal Manager
Beehive – Beehive Technology, LLC
C1 – Beehive Technology, LLC Owner
CE1 – City employee
CE2 – City employee
COA – City of Albuquerque
CPM – Former Chief Procurement Office
D1 – Former Animal Welfare Director
D2 – Animal Welfare Director Prior to D1
EHD – Environmental Health Department
OCM – Organizational Change Management, LLC
OIG – Office of Inspector General
PT – Professional Technical contract
RFP – Request for Proposal
SC1 – Subcontractor for Beehive/Organizational Change Management, LLC Owner
Introduction
The mission of the Office of the Inspector General (OIG) is to promote a culture of integrity, accountability, and transparency throughout the City of Albuquerque (COA) in order to safeguard and preserve the public trust. A complaint was received by the OIG stating the company Beehive was being used as a front to pay Subcontractor (SC1) who previously had a contract with the City under a different name, Organizational Change Management, LLC (OCM). The allegation stated that OCM had reached the contract limit with the COA and began working as a subcontractor under the company name of Beehive. The complainant alleges that the owner of Beehive did not conduct work for the COA and was not present to complete work, that the subcontractor was the only person who was seen completing work on this project. In addition, the OIG was also advised that SC1 resides in Florida and travels to Albuquerque to consult on behalf of Beehive.

Scope and Methodology
The review and scope of this investigation not only sought to investigate allegations of wrongdoing on the part of this particular former employee, but also to review the contract procurement and payment process for COA vendors. The OIG investigation focused on the allegations asserted by the complainant against the City and the Companies involved, as previously described. The scope of the investigation addressed only the allegations. The methodology consisted of reviewing relevant documents and interviewing witnesses that could provide information regarding the allegations. The following activities were conducted as part of the investigative process:

- Review of pertinent documents to include the RFP, contract, receipts, and related documents regarding the COA, Beehive and OCM, utilizing both electronic and paper files
- Interviews of relevant staff members and contractors
- Review of relevant City Ordinances, SOP’s and COA’s policies and procedures

Background Review
SC1 (Subcontractor of Beehive contract)
SC1 was employed with the COA in March 2004, as an unclassified employee with the title of Organizational Change Management Manager for the Department of Finance and Administrative Services. SC1 worked in that position until July 22, 2005. SC1 is the owner of OCM.

SC1 was a resident of Albuquerque partly through the EHD contract and on December 2015, invoices changed to a Florida address for OCM.
OCM began contracting with the City in 2011 and had ten different contracts with the COA through 2018.

During the period of EHD’s contract, September 8, 2014 through June 30, 2018, SC1 was also completing work for four other COA departments. During some of the billing periods reviewed, SC1 was paid for working on three different department contracts at the same time.

COA Employee Director (D1)

A former COA employee, who during the period these contracts are being reviewed held positions of both Deputy Director and Director for various departments. This COA employee will be referred to as D1 hereinafter. D1 was the Interim Director/Deputy Director for EHD and the department had a contract with OCM for business transformation services. The point of contact listed on this Statement of Work was listed as D1. The OCM contract was originally budgeted at $16,064.28, however, four supplemental agreements were signed for a total contract maximum of $225,000. The contract spanned forty-six (46) months, from September 8, 2014 through June 30, 2018.

Beehive

A search for information found Beehive is owned by C1. From information found on C1’s LinkedIn page, C1 was the President/CEO for Beehive from January 2011 to October 2015. From October 2015 to present, information found on LinkedIn shows C1 working in the Healthcare field in upper management. During the course of this investigation, Beehive’s website did not present any information about the company and merely indicated that it was “under construction”.

Prior to Beehive’s contract with the Animal Welfare Department (AWD), Beehive had a contract with the COA’s 311 division that ended in 2016.

The OIG interviewed current and past City employees and also interviewed Beehive owner C1 and subcontractor SC1.

Interview Summaries

Interviews were held in the Office of the Inspector General with the following individuals. Each person interviewed was advised of the confidentiality of the investigation and their requirement to be truthful and cooperative:

• C1 was interviewed on June 6, 2019
• SC1 was interviewed on June 11, 2019
• CE2 was interviewed on August 15, 2019
• CE1 was interviewed on August 22, 2019
• AWD1 was interviewed on October 2, 2019
• AWD2 was interviewed on October 2, 2019
• CPM was interviewed on November 14, 2019
• AWD3 was interviewed on December 17, 2019
• AC was interviewed on January 13, 2020
• DC1 was interviewed on January 27, 2020
• C1 was interviewed on February 21, 2020 (Second Interview)

Interview with former Chief Procurement Manager (CPM):

CPM stated that the COA had a practice of allowing Professional Technical (PT) contracts to be renewed every year for $75,000. When the period ends and the new year begins, a department could renew the contract for the new year in the amount of $ 75,000.00. This practice has been going on for years in the COA and in many instances, these contracts would continue to be renewed without going out for public bid. As a result, some contractors such as OCM had made in excess of $ 250,000 over multiple years. When CPM took over the Purchasing Division, he reviewed the policy from a PT stand point. He questioned the validity of giving vendors contracts year after year without competitive bidding. For that reason, purchasing revamped the procurement code creating standard operating procedure ensuring the same contractor would not automatically be renewed. At the end of the contract period it would need to go out for public bid.

In this particular case, regarding a contract with AWD, SC1 had been on contract with the COA for a substantial period of time. However, this is a competitive service and would have to go out for bid.

CPM was asked if he was made aware that SC1 was going to be subcontracting when Beehive received the AWD contract. CPM stated he did not know early on there would be a subcontract. CPM stated that would be a breach of contract if there was no approved formal subcontract and would be grounds to terminate the contract for cause.

According to CPM, a contractor cannot proceed with work until there is an executed agreement. It would be a Purchasing violation if Beehive or SC1 began to conduct contract work prior to a contract being signed/in place. CMP expressed concern that the Purchasing Department did identify that SC1 was a subcontractor for Beehive.
CPM was asked if there was a list of vendors that may be prohibited from doing business with the COA. CPM stated no, however the Purchasing Department is working on a policy for vendor debarment/suspension.

Interview with Associate Controller (AC):

The AC reviewed the agreement between Beehive and AWD and stated that it was very general. She stated that it does not specify what gaps are being identified and does not contain any supporting documentation.

AC would consider the way the contract was written to be a red flag since it is too vague, too general and has no details. AC stated that with the invoices from Beehive, the COA is unable to identify any work being performed. AC stated that AWD’s Fiscal Manager should have questioned these invoices. If the invoices had come to her for approval, she would have asked for supporting documentation. The documentation would be needed to be uploaded into system or she would have noted lack of documentation in the comments section. At a bare minimum AC believes the Fiscal Manager should have noted something to the effect of, “no invoice attached, however, I have documents from the last meeting to support the charge.”

AC stated that she has seen other vendors charging for something stating, ‘phase 1 of XYZ’. In those instances, there is already an agreement as to what phase 1 of XYZ consists of so that would not be a red flag because it clearly identifies what items were completed. With the Beehive invoice, there is no support for work completed, as the invoices are very general. Part of due diligence is looking back at previous invoices to see if there is anything repetitive the City is being invoiced for.

Finally, AC stated that it was odd to see only the $25,000 amount on the contract and that there was no detailed invoice, hourly rate or scope of services to support how many hours would be worked. AC questioned what the Fiscal Manager is doing and what consultation is being provided to the COA.

Interview with City Employee 1 (CE1)

CE1 recalled a meeting with CPM, the Assistant City Attorney for Purchasing, D1 and two other City directors. CPM stated that they were not going to automatically renew SC1’s contract and that work would need to be placed out for RFP. CPM also inquired that if we keep using this individual for services because of the great work, why is the work not complete and in need of renewal when it should have been completed. CE1 stated they keep working with SC1 because they all liked her. After the meeting, Purchasing and EHD began working on the RFP. When D1 changed positions, the RFP process stalled on or about May 2018. CE1 also stated that the RFP appeared tailored to SC1 so she could win the bid.

CE1 stated SC1 started to work at AWD before there was a contract with Beehive.
CE1 was asked if she ever saw C1 at AWD. CE1 stated never, but that she would see SC1 in D1’s office working on her computer, as her office was next to D1’s. SC1 would typically come in on a Monday or Tuesday and leave on a Thursday.

When asked if there were any local companies who were interested in the work, CE1 stated that she believes CPM mentioned in a meeting that there were local companies. CE1 stated that D1 and the two other Directors were insistent on utilizing the services of SC1. CE1 stated that the RFP was stopped at EHD and believes it was restarted at AWD.

CE1 stated she was not involved in Beehive’s contract and was glad because she did not want to get caught up in creating a contract for Beehive knowing that it would all go to SC1. CE1 stated she never saw anyone from Beehive at AWD other than SC1. SC1 was the only one present and the only one that sent emails. CE1 stated that D1 had her doing a lot at AWD including the monitoring of D1’s emails. CE1 stated that she saw emails between D1 and SC1 regarding when she was coming in, what employees should be working on while she was gone and what they should have when she arrives. There were never any emails with C1 nor was she ever seen at the AWD.

**Interview with AWD Approver 1 (AWD1):**

AWD1 was one of the approvers for the invoices submitted by Beehive for payment. Beehive submitted a total of ten invoices that totaled $50,000. Beehive collected the total amount of the contract. During the approval process, AWD1 noted four different times that no invoice was attached. AWD1 stated he does not know how Beehive was able to submit for payment without a vendor invoice. AWD1 did recall asking the Fiscal Manager about lack of information and the Fiscal Manager asked to be added as an approver so she could look into it, but does know if she ever did. The Fiscal Manager was one of the approvers on each of the ten invoices. AWD1 stated that the Fiscal Manager had come from EHD with D1. AWD1 stated that he does not believe the Fiscal Manager did her due diligence regarding requesting additional information on the invoices from Beehive.

AWD1 stated that other vendors attach invoices but Beehive’s electronic vouchers only had one line regarding what services were provided. When asked if this caused concern, AWD1 stated it did and he did not know what “process facilitation services” meant. AWD1 stated that usually there is more information to explain the work done. AWD1 stated that he was unclear if Beehive was getting paid hourly because there was only a dollar amount on the invoice. When told that Beehive had stated they were charging an hourly rate, AWD1 stated that should have been detailed on the invoice. He stated that it was not common to have invoices come in with lack of documentation.

When asked if he would consider Beehive’s electronic vouchers a red flag, AWD1 stated he was concerned, but it has always been a ‘no ask subject’.
When asked if he had any official training regarding the approval process, AWD1 replied it was on the job training. AWD1 was unaware if there was a policy regarding approving vouchers, as he had never seen one.

Regarding SC1, AWD1 stated the he would only see her in D1’s office and he was never part of the interaction with her. AWD1 was asked if he ever saw anyone else besides SC1 at AWD representing Beehive? He stated that C1 came in to sign the contract twice, due to an error on the first one and he did not see C1 after that.

**Interview AWD Approver 2 (AWD2):**

AWD2 detailed to the OIG the invoice approval process and stated that there should be back-up information. The invoice should have time of service and how much is being charged. In addition, if a vendor uses the electronic system, they should be attaching a detailed work sheet or invoice.

AWD2 stated that before the electronic system, there was more of a paper trail for invoices. After being shown the documents in the electronic invoice for Beehive, AWD2 admitted that it should have contained more information.

AWD2 was asked that as an approver would an invoice with only a one-line description be a red flag. AWD2 stated there should be more of a description and that usually AWD would tell their contractors to put exact time of service, specific dates. AWD2 is the third and final approver for these invoices for AWD.

When asked if she ever questioned the other two reviewers about the lack of information or the notes in the system prior to approving. AWD2 stated that since the Fiscal Manager reviewed it, she assumed it was okay and that the contractor performed their services.

AWD2 was shown the four payments for exactly $6,100 each and asked if she ever noticed the duplicate amounts? AWD2 said that she did not, but approved the invoices because she thought everyone else oversaw it and that all services were performed.

**Interview AWD Approver 3 (AWD3) Fiscal Manager:**

AWD3 detailed the process of a voucher payment and stated that when she approves the invoice, she makes sure there is budget, invoices are captured in her transitory list and the list has invoice number, date, and amount. She asked her staff to add her to approval list so that she can see all the invoices in order to capture and reconcile them. With Transcepta, the way invoices come through the system has changed. Prior to Transcepta, there was more documentation and a larger paper trail. With Transcepta, it has failed to capture a lot of the information vendors would provide. The OIG asked if vendors should upload their own invoices? AWD3 replied that most do not and she has not enforced it with her vendors.
The OIG asked if there were any policies and procedures detailing what approvers should be looking for when approving an invoice? She stated that there is nothing in writing, but staff are pretty good about looking at their invoices.

AWD3 was asked who was conducting the work for Beehive? She stated SC1 was the primary consultant for Beehive per D1. AWD3 received emails from SC1, but does not recall receiving any from C1. AWD3 was unaware if C1 was performing work on the Beehive contract. AWD3 was not included in meetings and her office is not located in the same area as the other offices.

AWD3 was asked if staff ever came to her regarding the lack of information on the invoices provided by Beehive or if there were concerns noted in the comment section of Transcepta. The only comment she saw was the comment from AWD1 that the invoice was not attached in Transcepta.

AWD3 stated the majority of vendors fill out the invoice forms in Transcepta and that many of them are vague. AWD3 agreed that they should be sending more information. When the OIG asked that as Fiscal Manager, should she not require vendors to submit detailed information on invoices? AWD3 admitted that she can and she should.

AWD3 stated that she was unaware of any policies detailing the process or stating what should be included in an invoice.

**Interview with Beehive Owner (C1)**

C1 is the only employee for Beehive and subcontracts for different specialties such as business transformations, change management and technology related projects in order to have subject matter experts.

C1 stated that SC1 is a subcontractor for Beehive and has been working with her company for over a decade. When SC1 gets stretched out or has other contracts, SC1 will also ask C1 to do some work. D1 reached out to C1 to see if Beehive wanted to do some project management work. It was C1’s choice to have SC1 subcontract with Beehive for the AWD contract knowing that SC1 had previously completed work for D1. C1 had also worked for the COA over the years. Both were familiar with the City and had done work for different departments in the past.

C1 stated that SC1 resides in both Florida and Albuquerque. SC1’s whole family is in Albuquerque and through the agreement, SC1 will not be reimbursed for travel. C1 stated there were weekly meetings with D1’s group and that SC1 would communicate through Skype or Zoom. C1 stated the her and SC1 were on site when they needed to be.

C1 provided documentation of the on-site work of SC1 attached as Exhibit 1. C1 stated that SC1 performed the piece of business transformation that was initially needed and that C1 has done the rest. SC1 is the only subcontractor for the AWD contract.

At the time of the interview, C1 did not know how much SC1 was paid. C1 did provide a handwritten 10-99 to the OIG which showed the amount paid as $15,750.
C1 stated, D1 came to her to see if she had any bandwidth to help with the project.

C1 did provide the following information after the interview to include:

All documents pertaining to the contract to include:

- Description of all work performed
  - Develop and facilitate teams that will analyze current data and identify gaps, conduct relevant research and develop foundational and growth strategies to influence key metrics in the Animal Welfare Department.
- Dates performed
  - July 16, 2018 through present
- Date work accepted by the City
  - Work is reviewed with the City on a weekly basis
- Hourly rate
  - $135.00 inclusive of NMGRT

Interview with Subcontractor (SC1) (Organizational Change Management)

SC1 was not able to provide a date when she was first approached to subcontract with Beehive. Prior to subcontracting with Beehive, former Interim Director for AWD, D2 contacted her to see if she was available and interested in doing a job, and if the work she did would help in AWD. SC1 met with D2 for a brainstorming session in which D2 stated that AWD had some staff issues. D2 was concerned about poor culture, poor management and perception by the media. D2 did not know how much longer he would be with the City and therefore the project was placed on hold until he could get some clarity.

SC1 stated that under the Beehive contract, she was to develop and facilitate teams who would analyze data and desired outcomes. SC1 would facilitate teams to identify gaps and conduct research; then break that up into foundation projects and growth projects that would impact team metrics. She did not provide training.

The contract was completed in May 2019 and SC1 estimates her compensation would be somewhere in the range of $30,000. SC1 stated that she was paid $135 per hour, inclusive of New Mexico gross receipts tax.

When asked about the terms of SC1’s contract with Beehive, she stated that it would take some time for her to locate that contract. Despite repeated requests, no contract between SC1 and C1 was provided.

Regarding sign in sheets or who was attending the consulting meetings, the members of the group are listed on cards in a program called BaseCamp which was utilized by Beehive and AWD. There was a leader for each of those cards responsible for documenting the membership and other required portions of this project. The various cards or groups included an adoption group, disease control, enrichment, length of stay and euthanasia cards. SC1 was unable to provide names of attendees that attended consulting meetings.
SC1 met with the card team leaders in Albuquerque at the East Side Shelter but does not believe she went to the west side shelter. SC1 would usually block out two to three days every few weeks for discussions with team leaders.

According to SC1, AWD was working in silos and to move forward they needed to have representatives of all cards so they held one big presentation at Domingo Baca Community Center where everyone presented showing their strategies and the progress made. SC1 would provide dates and times she was present at AWD, along with dates and times of conference calls. The information was provided after the interview.

SC1 stated her primary residence is in Tampa, Florida. She could not give a certain date of when she started living there. SC1 stated that she still spends quite a bit of time in Albuquerque. When asked if she still has a residence in Albuquerque, SC1 stated she has a house that is paid for and avoided answering the question. She said she does not have a mortgage or pay rent and files her taxes in Florida.

SC1 stated that she bills hourly for time on-site, conference calls, or working remotely on various tasks.

When asked how many times SC1 traveled to Albuquerque for the AWD contract, SC1 stated she never traveled to Albuquerque specifically for AWD. There were meetings scheduled for other obligations, not stated, when she would come to Albuquerque. There was no travel associated with the contract; she has a vehicle and a house and therefore, no expenses required.

The OIG asked if SC1 received a 1099 form from Beehive. She stated that she would have to ask her accountant and that they usually file an extension. The 1099 form would be for all the work she performs, so it may not answer our questions. As of the date of this report, SC1 has not provided her 1099 form.

SC1’s understanding was that AWD had a business need and they contacted Beehive asking if she could fulfill that need. C1 stated that there was someone she knew with knowledge and quick wrap up time. C1 was told by D1 that she could use anyone she wanted. SC1 stated that she has worked with C1 for many years, working together on other projects with the COA. They have a long-standing relationship and are preferred partners. SC1 stated that she wants to be C1’s first choice as a subcontractor and she prefers to subcontract rather than be the prime contractor.

The OIG asked when SC1 left, did she feel like AWD was running well at the time or does she think additional work needed to be completed. SC1 stated that D1 told her the Mayor told him that AWD has gone from the worst department to one of the best departments. SC1 does feel more work was needed.

SC1 provided a breakdown of the monthly invoices charged to AWD which included what C1 and SC1 made each month. SC1 stated that she charged by the hour, so in theory there should be no minute increments charged. A full break down by month including all days on-site and conference calls can be found on Exhibit 1.
Interview with AWD Director (D1)

D1 stated that he has been with the City for 25 years, 7 months. He started as a 911 operator, then became assistant systems administrator for 911 system, a crime analyst for about 4 years, position in the budget office and then three to four positions at EHD, ending with deputy director over air quality and then acting director for EHD and AWD simultaneously for about a year and a half.

D1 stated he has known SC1 about 15 years since she worked for the COA as a change manager. He stated they have a professional relationship but he would consider her a friend. He stated that if her and her family were out in the cold he would invite them over, but it is purely professional.

D1 was asked how Beehive was chosen as contractor for AWD. D1 stated that she had done work for the City before and he was familiar with her. D1 was asked if the contract went out for bid or if they specifically chose her. D1 stated that they chose her.

The OIG asked how long he has known C1 and what is their relationship. D1 stated that he does not know C1 very well, other than working with her at DTI at the beginning of the Berry administration. D1 was asked about the relationship between C1 and SC1. D1 stated that he does not know their personal relationship, but knows they have worked together in the past.

The OIG stated that the Beehive contract started July 10, 2018, but SC1 was already working at AWD prior to the Beehive contract. When pressed as to why she was allowed to work prior to the signing of any contract being executed, D1 stated that to the best of his memory, SC1 was brought over by D2 to do work at AWD before he got there. He stated that she was operating at AWD when he came through the door.

From emails obtained from an AWD employee, SC1 had discussions in reference to planning meetings and sending documents to D1 and numerous other AWD employee’s in the months prior to the contract starting with Beehive. The email dates and subjects included:

- April 4, 2018: Strategic planning meeting with SC1
- April 5, 2018: Planning Meeting
- April 25, 2018: Strategic Planning
- May 2, 2018: Strategic Planning
- May 2, 2018: Updated Sheltering Guidelines and Responsibilities
- May 22, 2018: Strategic Planning work sessions 5/29 and 5/30
- June 13, 2018: Development of AWD wish lists

The OIG told D1 of the previous interviewees who recalled the meeting with Purchasing regarding the pre-selection of SC1 and the need for this contract to go out for bid. D1 stated he did not recall specifically; he remembers the conversation, but does not know who was present or any other detail.
D1 was asked if he went with Beehive to circumvent going through bidding process to which D1 stated, no, he did not. When he had the conversation with C1 about hiring her services because she does similar work as SC1, she stated that she was going to have to subcontract it out and asked if there was any subcontractor he wanted her to use. D1 stated that he told C1 verbatim, “who you subcontract with is your business”.

When asked about the fulfillment of the contract and if C1 performed any work, D1 stated no, other than setting up the initial contract, all work was subbed out to SC1. They would have check ins every now and then but Beehive was not in the day to day operations; the majority of the work was done by SC1.

Second interview with C1 and her legal representative

The OIG asked C1 why there was not a signed subcontract agreement approved by the City. C1 indicated she did not realize she had to get a signed approval and thought she only needed verbal approval. C1 agreed that SC1 was the subcontractor of Beehive. C1 stated she asked the “executive sponsor”, D1, if she could use SC1’s methodology to support the work.

The agreement made by the City of Albuquerque and Beehive Technology LLC was signed by C1 and D1 on July 10, 2018. In the contract agreement, Section 3, Compensation and Method of Payment; 5 Personnel; C the following is stated:

None of the work or the Services covered by this Agreement shall be subcontracted without prior written approval of the City. Any works or services subcontracted hereunder shall be specified by written contract Agreement and shall be subject to each provision of the Agreement.

Regarding the lack of detailed information on invoices, C1 stated every deliverable was signed off on by the executive sponsor and all the deliverables were met. There was not a request to have any more detailed invoices because the deliverables were handed over.

With regards to the six identical invoices, C1 stated that AWD should have the dates of every time she submitted an invoice. She explained that she would input information into Transcepta and also send in Beehive invoices. C1 was shown the Transcepta invoice submitted by Beehive and asked if she input the information. She stated hers do not look like that and if there are inconsistencies with invoices and dates in Transcepta, she cannot explain that. The invoices she sent in included the dates that work was conducted and she did the billing.

The OIG reviewed each of the ten invoices submitted by Beehive to the COA for payment from July 2018 through May 2019. The description of services provided by Beehive was vague, repetitive and are unclear as to what services were performed by Beehive. Below are the ten invoice descriptions provided by Beehive and dollar amounts charged (D1 refers to the below as Peoplesoft voucher).

1. $3,000 – Process facilitation services to Animal Welfare Department for August 2018. (Invoice Date: 9/6/2018)
2. $4,000 - Process facilitation services to Animal Welfare Department for September 2018. (Invoice Date: 10/3/2018)

3. $4,500 - Process facilitation services to Animal Welfare Department for September 2018. (Invoice Date: 11/2/2018)

4. $6,100 - Process facilitation services to Animal Welfare Department for September 2018. (Invoice Date: 11/29/2018)

5. $5,850 - Process facilitation services to Animal Welfare Department for September 2018. (Invoice Date: 12/26/2018)

6. $6,100 - Process facilitation services to Animal Welfare Department for September 2018. (Invoice Date: 1/27/2019)

7. $5,600 - Process facilitation services to Animal Welfare Department for September 2018. (Invoice Date: 2/28/2019)

8. $6,100 - To develop and facilitate teams that will analyze current data and identify gap, conduct relevant research and develop fundamental and growth strategies to influence key metrics in the Animal Welfare Department. (Invoice Date: 3/28/2019)

9. $6,100 - To develop and facilitate teams that will analyze current data and identify gap, conduct relevant research and develop fundamental and growth strategies to influence key metrics in the Animal Welfare Department. (Invoice Date: 4/29/2019)

10. $2,650 - To develop and facilitate teams that will analyze current data and identify gap, conduct relevant research and develop fundamental and growth strategies to influence key metrics in the Animal Welfare Department. (Invoice Date: 5/29/2019)

Four out of the ten invoices had a comment by an AWD approver that no invoice was attached. Six of the invoices had identical descriptions with a September 2018 date.

C1 was asked if Beehive completed the work and what was the final outcome. She replied that all deliverables were handed in, every deliverable was met and the complete scope of work was completed. The “executive sponsor” was happy and as a result of the work conducted, the COA has won a national award and AWD was identified as Department of the Year from Mayor Keller.

SC1 stated that she charged a straight hourly rate and did not charge in minute increments. C1 was asked why the data she provided showed monthly hourly charges for both C1 and SC1 in odd minute increments. C1 stated that she had to have permission to use SC1’s methodology, which was trademarked by SC1 and a fee came with that. C1 and SC1 agreed on a dollar amount based on the work SC1 was going to provide which was different than what C1 was providing. C1 figured in the monthly fees in her calculation. With that, she managed the accounting based on the contract and to the agreement rate.

During the first interview, C1 stated she was onsite during the contract period. The OIG asked how many times was she on sight. To which C1 stated she had to go back and forth several times
with the department because there were issues on the contract on the COA side. She was not present when SC1 was onsite working, but stated C1 and SC1 would have meetings off site for preplanning and debriefs.

When asked to name AWD employees that C1 worked with during the contract, C1 replied she worked with AWD3 regarding the contract execution and that there was a whole group of people they were working with and stated she would supply the OIG with a list.

Regarding communication with D1 and AWD, C1 replied that she would communicate via email and phone. The OIG pointed out that approximately 61 emails were sent from SC1 to D1 during the contract period and not one of those emails had C1 as a recipient. C1 was asked to explain, to which C1 and her lawyer replied that they would have to see the emails. C1 now stated that she and SC1 communicated with D1 directly. The OIG asked if C1 found it odd and she stated no, because she is included in other emails.

The OIG pointed out that multiple employees stated they never saw or knew who C1 was to which C1’s lawyer stated, “How would C1 know? We don’t even know who those people are”.

The OIG informed C1 that the OIG had received an allegation that Beehive was being used as a “store front” in order to have SC1 continue working with D1 and AWD. C1 did not have a response regarding this allegation.

The OIG informed C1 that D1 was asked if C1 did any work, to which D1 stated no, other than setting up the initial contract, C1 ended up subcontracting the work out to SC1. C1 replied that was part of the reason she has worked with SC1 in the past is because they work well together. They both are “process people”, but SC1 has different strengths. In the work they invoiced, they had to divide and conquer. That is how they got the work done.

When asked about the relationship C1 has with SC1, C1 stated they have a “great collaborative relationship”. The OIG asked if a collaborative relationship meant they are close? C1 again stated they have a “great collaborative professional relationship and partnership” that they have had for over ten years.

The OIG asked if C1 has visited SC1 at her home in Florida. (The OIG obtained social media pictures of C1 and her husband visiting SC1 and her family in Florida.) C1 replied, if she had personal vacation time, she did not see how it was part of the current conversation with the OIG. The OIG replied that the question was asked to determine their personal relationship, to which C1 again replied, “We have a great collaborative and professional relationship”.

C1 stated that she and D1 have a nice professional relationship. She would not be able to answer the relationship between D1 and SC1.

C1 stated that Beehive was hired and asked to do a project and she had no access to work done previously between the COA and SC1 and only was aware about the Beehive contract.

At the conclusion of the interview C1 was given ten business days to provide the OIG with the following information. Beehive provided their responses three business days after the deadline.
Information requested and responses are stated below:

• Ten Beehive Technology Invoices provided to the Animal Welfare Department that went along with the electronic invoice forms filled on Transcepta.

  *Beehive Technology followed the process outlined by Transcepta. The platform that the City of Albuquerque has its vendors use to submit invoices through. This process did not request an additional invoice to be included, the information was directly submitted following the process the support service directed Beehive Technology, LLC to use.*

  *Additional project details with dates, deliverables and time involved were previously delivered to the OIG Office on June 26, 2019.*

  *All requests made during the project from the executive sponsor for project details were delivered to the executive sponsor and project team members on time, in scope and on budget.*

  *No additional invoices were requested from the executive sponsor.*

**NOTE:** C1’s statement in her second interview contradicts her response. In the second interview C1 stated that she filled out the Transcepta invoice forms and also sent in her own invoices. C1’s response now was that she followed the process outlined by Transcepta and that no additional invoices were requested.

• An explanation regarding the different dollar amounts on SC1’s 2018, 1099 form and the “Beehive OCW AW Contract Summary 190626” you provided.

  *Beehive Technology, LLC performed work as a contracted consultant on this project, Beehive Technology, LLC was paid for the work performed, which included, with the approval of the executive sponsor, bringing in OCM, LLC to support the project in order to finish on time, in scope and on budget. Beehive Technology, LLC provided such services, but not limited to, as oversight, and technological consultative services to ensure that the project came in on time, in scope and on budget. As the contracted entity, Beehive Technology, LLC, agreed to the set budget and fixed price provided by the executive sponsor to perform the work. Beehive Technology, LLC was responsible for the decisions made on margin and contracted pricing from OCM, LLC that was required to perform the entire scope of the project and to be able to bring the project in on time, in scope and on budget. The 1099 form is inclusive of all work performed for Beehive Technology, LLC whereas the “Beehive OCM AW Contract Summary” only encompasses the work performed on the Animal Welfare Contract.*

**NOTE:** C1’s response did not sufficiently explain SC1’s salary differences. SC1’s 1099 Form was $2,198.99 less than the Beehive OCM AW Contract Summary.

• Names of Animal Welfare employees you worked with during the contract period.

  *C1 completed the contract scope of work with the Executive Sponsor, D1, and the CABQ contracting team, the Accountant I and the AWD Fiscal Officer.*
NOTE: Besides D1, C1 only names AWD employees who were involved in the contract procurement process and monthly approvals of Beehive invoices for payment.

• Dates and times, you were physically at the Animal Welfare Department conducting work for the contract.

When the executive sponsor, D1, contacted Beehive Technology, LLC to perform the work needed on the project, C1 discussed the need to be able to leverage the resources of OMC, LLC and SC1. The executive sponsor agreed and approved the strategy and tactics recommended to accomplish the business/project goal.

All work performed was performed with the approval of the executive sponsor. All deliverables were met, on time, in scope and on budget.

NOTE: C1 did not give dates and times she was physically at AWD conducting work for the contract.

• A break down on the monthly invoices showing the salaries to you and SC1, as well as any additional charges such as use of the “methodology” you stated.

C1 stated to refer to Appendix A, which was also provided to the OIG office on June 26, 2019.

NOTE: C1 provided Appendix one which was a vague monthly breakdown of dates worked, work performed and salaries that each received. C1 did not breakdown the monthly amount that went to SC1’s additional charges for us of her “methodology” that C1 stated Beehive was paying for.
Conclusion

During the course of the investigation it was found the procurement process that resulted in a contract between the City and Beehive was flawed. The contract was vague and did not specifically detail the scope of work or the deliverables, nor was there a bid process. In addition, there was evidence of favoritism, collusion and conflict of interest.

During the administration of the contract there were weak or absent internal controls. There was no written approval for the use of a subcontractor creating a breach of contract and grounds to terminate contract for cause. SC1 was working at AWD before the contract was in place creating a purchasing violation. There were duplicate dollar amount invoices with weak or no documentation of deliverables. The approval of those invoices without further documentation shows weak internal controls and improper contract oversight by management.

Recommendations

The OIG is making the following recommendations:

1. Written policies and procedures be created listing specifically what is required to support any invoice submitted for payment whether it be electronically or by other means.
2. City department approvers are properly trained on specifically what is required to support an invoice and to ensure it is included before they approve payment.
3. Future Professional Technical Contracts are required to give specifics of the scope of work to be performed, have strong internal controls and appropriate management oversight.
4. City department, Professional Technical Contracts contain specific information regarding scope of services and that hourly rates are stated in the contract.
5. Purchasing create a system to identify vendors that have a history of substandard performance or questionable bid submission that may have indicators of potential fraud.
6. C1 and SC1 and any companies owned/operated by them be debarred from further business with the City.
<table>
<thead>
<tr>
<th>Month</th>
<th>Invoice</th>
<th>SC1 Pay</th>
<th>C1 Pay</th>
<th>On Site</th>
<th>Conference Call/Webex</th>
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</table>
May 27, 2020

Carolyn Ortega, Director of Animal Welfare Department
8920 Lomas NE
Albuquerque, NM 87112

The AGO Committee concurs with the recommendations and would emphasize that future COA Professional Technical Contracts are required to give specific information of the scope of work to be performed and hourly rates are stated in the contract.

Sincerely,

[Signature]
Edmund E. Pera, Esq., Chairperson for
Accountability in Government Oversight Committee

John A. Carey
Daniel O. Trujillo
Laura Smigielski Garcia
Johnny J. Mangu
The following response was received from management at the Animal Welfare Department regarding the OIG recommendations and their response.

OIG Recommendation:

Written policies and procedures are created listing specifically what is required to support any invoice submitted for payment whether it be electronically or by other means.

AWD Corrective Action:

AWD will develop policies and procedures, specifically outlining supporting documentation required to be included (electronically or by other means) with invoices prior to payment. AWD will work with Purchasing to ensure P & P developed aligns with current City Procurement Policies.

OIG Recommendation:

City department approvers are properly trained on specifically what is required to support an invoice and to ensure it is include before payment approval.

AWD Corrective Action:

AWD will reach out to Purchasing to inquire about training as it pertains to the Procurement Process and require that all signers attend training. Specifically, what to look for and expect as supporting documents and data (that aligns with deliverables) that support invoice.

OIG Recommendation:

City professional technical contracts contain specific information regarding scope of services and hourly rates are stated in the contract.

AWD Corrective Action:

AWD will work with Purchasing, Legal and Transcepta to ensure appropriate cells are available to capture detailed scope of services and hourly rates (if applicable), rates for completion of phase or overall contract value if one-time cost. AWD Director, Fiscal Manager and Program Manager will review all contracts to ensure appropriate levels of detail are appropriate and accurate.

OIG Recommendation:

Purchasing should create a system to identify vendors that have a history of substandard performance or questionable bid submission that may have indicators of potential fraud.

AWD Corrective Action:

AWD will follow-up with Purchasing regarding the system to identify vendors that have a history of substandard performance or questionable bid submission that may have indicators of potential fraud. AWD will work with Purchasing to develop a communication process between departments to ensure constant update of vendor list.
**OIG Recommendation:**

Contractor and subcontractor and any companies owned/operated by them be debarred from further business with the City.

**AWD Corrective Action:**

AWD will retain a list of vendors that were part of this investigation and bar them from further business with the City.

AWD further advised that appropriate disciplinary action would be taken where warranted.