



OFFICE OF INTERNAL AUDIT

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September 10, 2020

J. Brian McGovern P.E., Senior Associate, Vice President
TranSystems Corporation
530 Preston Ave., Ste. 100
Meriden, CT 06450
Via email

Dear Mr. McGovern:

The Office of Internal Audit has completed its vendor compliance audit of TranSystems Corporation. The audit was conducted in conformance with the Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing and by the authority given to the unit in accordance with the Rhode Island General Laws (RIGL) § 35-7.1-1- Establishment of The Office of Internal Audit. The recommendations included herein have been discussed with members of management, and we considered their comments in the preparation of this report. This report is intended solely for use of the company and governmental agencies and should not be used for any other purpose.

We would like to express our sincere appreciation to the staff at TranSystems Corporation for the cooperation and courtesy extended to the members of our team during the course of this audit. Should you have questions regarding the information in this report please contact Xiomara Soto, Senior Internal Auditor at 401-574-8173.

Respectfully yours,

Michael Sprague, CIA, MBA
Deputy Chief

Cc: Loren Doyle, Chief Operating Officer, Department of Transportation
Joseph Tanzi, Supervising Accountant, Financial Management, Department of Transportation
Clordine Cox, Fiscal Management Officer, Financial Management, Department of Transportation
Everett Sammartino, Administrator, Contracts & Administration, Department of Transportation



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Vendor Compliance Audit Report

Company TranSystems Corporation
Audit Period. July 1, 2017 through June 30, 2019
Effective Date (approval date) August 24, 2020

The Office of Internal Audit (OIA) completed a vendor compliance audit of TranSystems Corporation (TranSystems) for the period of July 1, 2017 through June 30, 2019. The objectives of the audit were to determine if invoiced costs were adequately supported; adhered to contract terms and to applicable state laws, rules and regulations; and to determine if expenses were allowable and in compliance with the Federal Acquisition Regulation (FAR). The scope of our audit was limited to sampled transactions for contracts awarded by the Rhode Island Department of Transportation (RIDOT).

Audit Results

The audit team selected two open contracts (RIC# 2016-EB-023 and MPA 359 Award 3381154) and one closed contract (RIC #2012-EI-004) for testing, based on the payment activity to TranSystems for the audit period. The invoiced transactions that were reviewed by the OIA appeared appropriately supported and were for expenses allowable according to the FAR. However, certain instances of non-adherence to contract terms were identified related to submission of project progress reports with invoicing and timely payment to subconsultants. Refer to the Findings Section below for details.

Findings

A. Insufficient Reporting

Contract 2016-EB-023 requires submission of progress reports on a monthly basis and whenever the consultant is submitting a voucher for payment of service¹ to the State of Rhode Island. A sample of 25 invoices paid from FYE 2017 through FYE 2019 was selected for testing. Of the 25 invoices selected, three billed for a period longer than one month and included corresponding progress reports to cover the same periods of time.

The labor periods associated with the progress reports are as follows:

- 2016-EB-023 Invoice W01-013 (billing and reporting period 04/20/2019 – 06/14/2019)
- 2016-EB-023 Invoice W01-006 (billing and reporting period 12/23/2017 – 09/07/2018)
- 2016-EB-023 Invoice W01-002 (billing and reporting period 05/13/2017 – 08/25/2017)

¹ Contract 2016-EB-023 – Section 16.

TranSystems failed to provide monthly progress reports with their billings for the noted periods, which is not in compliance with contract terms. Untimely submission of progress reports could result in inaccurate tracking of project progress.

B. Late Payment to Subconsultant

According to the agreements between TranSystems and their subconsultants (for all applicable subconsultants' billings tested), invoice payment is required within 14 days of the vendor receiving payment from RIDOT.

Of the 25 sampled invoices, 14 included between one and four sub-consultant invoicing, for a total of 24 sub-consultant invoices tested. Of the 24 sub-consultant invoices, seven were paid after the 14-day requirement, in violation of the sub-contract terms. The following was noted:

- One invoice was paid 18 days after receiving payment from RIDOT (four days late)
- Two invoices were paid 21 days after receiving payment from RIDOT (seven days late)
- Four invoices were paid 40 days after receiving payment from RIDOT (26 days late)

For the noted invoices, payments to subconsultants by the vendor did not comply with the terms of the contracts between TranSystems and their subconsultants. Untimely payments to subconsultants could cause disputes between the parties, resulting in project delay.

Corrective Actions for TranSystems Corporation:

1. Ensure progress reports are submitted to the State of Rhode Island in accordance with contract terms.
2. Ensure subconsultants are paid timely in compliance with subcontract terms.