

# CITY OF PHILADELPHIA PENNSYLVANIA

## OFFICE OF THE CONTROLLER

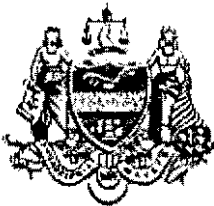
*Promoting honest, efficient, and fully accountable government*

### **SPECIAL AUDIT OF PANNULLA CONSTRUCTION CO. INC. REQUIREMENTS CONTRACTS**



City Controller  
**ALAN BUTKOVITZ**

**SPECIAL AUDIT  
OF  
PANNULLA CONSTRUCTION CO. INC.  
REQUIREMENTS CONTRACTS**



# CITY OF PHILADELPHIA

OFFICE OF THE CONTROLLER  
1230 Municipal Services Building  
1401 John F. Kennedy Boulevard  
Philadelphia, PA 19102-1679  
(215) 686-6680 FAX (215) 686-3832

ALAN BUTKOVITZ  
City Controller

JOHN H. THOMAS  
Deputy City Controller

February 2, 2010

Joan Schlotterbeck  
Commissioner  
Department of Public Property  
790 City Hall  
Philadelphia, PA 19107

Dear Commissioner Schlotterbeck:

The Office of the City Controller conducted a special audit of requirements contracts between Pannulla Construction Co. Inc. and the City of Philadelphia. Our investigation was conducted pursuant to Section 6-400 (c) and (d) of the Philadelphia Home Rule Charter. A synopsis of the results of our work is provided in the executive summary to this report. The conditions giving rise to the findings and recommendations contained in this report occurred under the former director of the Capital Program Office. The Capital Program Office (CPO) was responsible for administering and monitoring these citywide requirements contracts prior to the dissolution of CPO and transfer of such functions to the Department of Public Property under Executive Order No. 11-08 on August 18, 2008.

We discussed our findings and recommendations with you at an exit conference, and we have included your written response to our comments as part of the report. The vendor who is the subject of our audit also provided written comments which are included as part of the report. We believe that our recommendations, if implemented by management, will improve the effectiveness of the Department of Public Property pertaining to the monitoring and administration of requirements contracts.

We would like to express our thanks to you and your staff for the courtesy and cooperation displayed during the conduct of our work.

Very truly yours,

ALAN BUTKOVITZ  
City Controller

cc: Honorable Michael A. Nutter, Mayor  
Honorable Anna C. Verna, City Council President  
All Members of City Council



# **SPECIAL AUDIT OF PANNULLA CONSTRUCTION CO. INC. REQUIREMENTS CONTRACTS**

## **EXECUTIVE SUMMARY**

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### **Why the Controller's Office Conducted the Special Audit**

We conducted a special audit of Pannulla Construction Co. Inc.'s (Pannulla) requirements contracts after discovering irregularities in the methodology Pannulla used to calculate the total direct labor costs submitted to the City of Philadelphia (City) for payment. Our concerns were two-fold. First, we wanted to validate the methodology used to calculate total direct labor. Second, we wanted to verify the accuracy of the number of employees charged to the City projects.

### **What the Controller's Office Found**

The Controller's Office noted the following conditions that represent deficiencies involving internal control over bill processing and contract monitoring:

- Pannulla overcharged the City of Philadelphia approximately \$167,815 (or 25%) of the \$667,647 total labor costs billed under two requirements contracts.
- Pannulla overcharged the City approximately \$75,892 for undocumented employees.
- Pannulla overcharged the City approximately \$63,707 in overhead costs.
- Pannulla overcharged the City approximately \$28,216 for direct labor costs.
- Oversight procedures within the Capital Program Office (CPO) were deficient.

### **What the Controller's Office Recommends**

The Controller's Office has developed a number of recommendations to address our findings. Detailed recommendations can be found in the body of the report.

- Pannulla should be required to repay the City for all overcharged amounts with applicable interest and penalties.
- If applicable, Pannulla should be barred from bidding on and participating in City projects for three years from the date of the determination of contract violations.
- All requirements contract vendors should be required to submit copies of certified payroll forms with their invoices to the City.
- The Department of Public Property should establish and implement daily site inspection procedures of all requirement contracts.

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## **INTRODUCTION**

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### **BACKGROUND**

The Pre-Audit Division of the Controller's Office routinely reviews and monitors payment requests, invoices and supporting documentation for accuracy, completeness and compliance with relevant contract terms. During the course of a routine review, discrepancies were discovered in Pannulla Construction Company, Inc.'s (Pannulla) billings to the City on Requirements Contract #05-4036. These discrepancies aroused suspicion and our audit team communicated the irregularities to a representative of the Capital Program Office (CPO). When contacted, the President of Pannulla Construction, Joseph Pannulla, did not provide an adequate explanation regarding the billing discrepancies. Based on our professional skepticism and exceptions discovered during a limited analysis of Pannulla's billings, the Controller's Office expanded its testing and initiated a special audit.

Pannulla Construction Co., Inc. was incorporated in the State of Pennsylvania in February of 1987, and it has been conducting business with the City of Philadelphia (City) since 1997. From fiscal year 1997 until May of 2008, Pannulla was paid approximately \$10.5 million for services performed.

During our audit, we reviewed Pannulla's citywide requirements contracts involving site improvements and general construction type projects. The Capital Program Office was responsible for administering and monitoring these citywide requirements contracts prior to its dissolution and the transfer of such functions to the Department of Public Property under Executive Order No. 11-08 on August 18, 2008.

### **REQUIREMENTS CONTRACT**

Requirements contracts were utilized because the City determined that site improvements and general construction were required for citywide projects; however, the exact quantities of projects needed could not be determined at the time of the bid. Estimate quantities were listed in the Invitation to Bid; vendors were informed that the quantities listed could be increased or decreased to meet the requirements of the City during the period of the proposed contract. Minimum quantities were not guaranteed during the proposed contract period. Vendors were informed that the purchase orders issued as a result of the bid would be for services and related materials to be performed on an as-needed basis.

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

We conducted a special audit of Pannulla Construction Co., Inc.'s requirements contracts after discovering irregularities in the method the company was utilizing to calculate direct labor costs billed to the City of Philadelphia. Our audit was performed in accordance with

## *INTRODUCTION*

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Generally Accepted Auditing Standards, and it extended from March 27, 2008 through July 21, 2009.

Our objectives were to validate the methodology being used to calculate total direct labor and to verify the accuracy of the number of employees charged to the City projects. To accomplish these objectives, we performed various audit tests utilizing contract documents, payment invoices, work orders and certified payroll records that were submitted to the City, along with relevant payroll data obtained from the Pennsylvania Department of Labor and Industry. In addition, we conducted interviews with key staff members from the Labor Standards Unit and the Capital Program Office.

Based on our professional judgment, we selected the two largest requirements contracts awarded to Pannulla during fiscal years 2006 through 2008 and tested 100% of the payment voucher work orders. The two contracts totaled approximately \$2.5 million; however, the total labor cost was approximately \$667,647. The remainder of the cost was related to equipment, material, debris removal, fuel, permit fees and subcontractors.

## ***FINDINGS***

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Our examination revealed several differences between the documentation presented on the work orders included with the payment vouchers and the certified payroll forms.

### **ADDING UNDOCUMENTED EMPLOYEES TO BILLS**

*The City of Philadelphia was overcharged approximately \$75,892 for undocumented employees.*

From October of 2006 to January of 2008, Pannulla Construction Co., Inc. (Pannulla) submitted invoices to the City which included undocumented employees. We classify employees as those extra employees who were not documented as actually performing the services billed to and paid for by the City. Our auditors discovered these undocumented employees by reconciling the work orders submitted along with invoices to the Certified Payroll Forms (CPFs), which were forwarded to Philadelphia Labor Standards Unit (LSU).

CPFs are required by the City to report prevailing wage rate data for public works contracts. The CPFs list all employees that worked on a particular job, including each employee's name, social security number, home address, work classification/job title, hours worked each day, total hours per week, dates, rate of pay, gross amount earned, deductions and net wages paid for the week.

The work orders included the following information: the job site, day and date, job title, number of employees for each job title, number of hours worked per job title, rate of pay per hour, insurance & taxes rate and markup rate, in addition to other non-labor costs billed.

The two contracts we examined ranged in cost from approximately \$1,000,000 to \$1,500,000. We tested 100% of the 37 corresponding payment vouchers covering 283 working days. Our analysis revealed approximately 316 discrepancies between the documentation submitted to the Capital Program Office in the form of payment invoices and the data submitted to the LSU for certified payroll verification. Undocumented employees comprised 186 of these discrepancies. Table 1 and Table 2 below show the results of the exceptions found during our audit.

Our auditors discovered evidence that Pannulla submitted payment requests for employees who did not perform work on City projects. Work orders included worker classifications and related costs that did not match up to employee names and worker classifications on corresponding certified payrolls. The resultant overcharges to the City totaled approximately \$75,892.



## FINDINGS

### IMPROPER CALCULATION OF LABOR COSTS

*Pannulla overcharged the City of Philadelphia approximately \$63,707 for indirect labor costs.*

Our examination of Pannulla's invoices disclosed that the vendor improperly calculated total labor costs. Pannulla improperly combined the hourly pay rate with the fringe benefit rate and then calculated the subtotal labor cost before applying approved tax and insurance rates to the subtotal. However, the City was not required to pay taxes or insurance on fringe benefits. Therefore, the City was overcharged by approximately \$63,707 over the three year contract period (refer to Table 1).

TABLE 1							
Pannulla Construction Co., Inc.							
Results from Comparison of Work Orders to Certified Payroll							
Vendor's Overcharges for Undocumented Employees and Improper Labor Calculations							
Contract Number	Contract Limit	Vendor's Labor Cost Billed	Exceptions	Undocumented Employees - Work Orders Did Not Match Certified Payrolls	Improper Calculation of Labor Costs (Based on Tax & Insurance Rates Application)	Exceptions Grand Total	Exceptions Grand Total to Vendor Labor Cost Billed
07-4009	\$1,000,000	\$251,926	53	\$ 22,556	\$27,223	\$ 49,779	19.76%
07-4013	\$1,500,000	\$415,721	133	\$ 53,336	\$36,484	\$ 89,820	21.61%
<b>Totals</b>	<b>\$2,500,000</b>	<b>\$667,647</b>	<b>186</b>	<b>\$ 75,892</b>	<b>\$ 63,707</b>	<b>\$139,599</b>	<b>20.91%</b>

*Pannulla overcharged the City by approximately \$28,216 for direct labor costs.*

Pannulla overcharged the City a net total of approximately \$28,216 for direct labor costs on the two contracts. The net amount includes over-billings totaling approximately \$30,419 and under-billings totaling \$2,203. The billing errors consisted of:

- Multiple Locations Exceptions: Pannulla charged the City for individuals simultaneously working on multiple jobs at different locations.
- Labor Classification Exceptions: Pannulla charged the City for higher skilled position classifications than was reported on the certified payroll forms.
- The under-billing represents the ten times Pannulla invoiced the City for position classifications that were lower than was reported on the certified payroll forms. Pannulla was credited for those errors.

## ***FINDINGS***

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<b>TABLE 2</b>		
<b>Pannulla Construction Co., Inc.</b>		
<b>Results from Comparison of Work Orders, Certified Payroll and Vendor Invoices</b>		
<b>Net Vendor's Overcharges for Labor Exceptions – Contracts #07-4009 and 07-4013</b>		
Description	Exceptions	Total
Overcharges – Multiple Locations	54	\$25,016
Overcharges – Labor Classifications	66	\$5,403
Under-billing – Labor Classifications	10	(\$2,203)
<b>Net Totals</b>	<b>130</b>	<b>\$28,216</b>

### **INADEQUATE PROJECT OVERSIGHT**

*The Capital Program Office did not adequately monitor project job sites.*

Because of the nature of the requirements contracts, which involves labor costs plus supplies and materials, it is imperative that the City maintain daily inspections of the job sites. The Controller's Office found the Capital Program Office (CPO) did not perform daily on-sight inspections of Pannulla's job sites. Therefore, CPO could not verify the number of employees included on Pannulla's work orders.

A simple reconciliation of the number of employees observed on the job (with names and number of hours worked) recorded on the corresponding invoices would reveal in a timely manner any discrepancies in data and prevent overpayment for undocumented employees.

Based on the findings outlined above, this case has been referred to the proper legal authority for investigation and prosecution because the City Controller's Office has found evidence that Pannulla intentionally defrauded the City by adding undocumented employees and other improper charges to its invoices.

## *RECOMMENDATIONS*

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### **RECOMMENDATIONS**

The following recommendations are based on the Controller's Office special audit and the findings outlined above. We recommend that:

1. Pannulla should be required to reimburse the City for all over billings plus interest and any applicable penalties.
2. In accordance with the Philadelphia Codes, Section §17-107, Paragraph 9, Pannulla's privileges to bid and work on City contracts should be suspended for three years from the date of the determination of an intentional contract violation.
3. Requirements contract vendors should be required to submit corresponding certified payroll forms with all invoices. No invoice should be accepted, nor a voucher processed, without certified payroll forms for the same time period.
4. The Department of Public Property should improve the quality of on-sight inspections for requirements contracts by including a system of mandatory daily site visits. In support of these inspections, the Department should be required to maintain records on the number of the contractor's employees working on the project.

## **AGENCY RESPONSE**



# CITY OF PHILADELPHIA

## DEPARTMENT OF PUBLIC PROPERTY

One Parkway Building  
1515 Arch Street – 11<sup>th</sup> Floor  
Philadelphia, PA 19102  
(215) 683-4409 Telephone  
(215) 683-4499 Fax

**JOAN SCHLOTTERBECK**  
Commissioner, Department of Public Property

August 28, 2009

John Thomas  
Deputy City Controller  
Office of the Controller  
12<sup>th</sup> Floor, Municipal Services Building  
1401 JFK Blvd.  
Phila., PA. 19102

RE: Audit Report – Pannulla Construction Requirements Contract

Dear Deputy Thomas,

We have reviewed the July 2009 "Special Audit of Pannulla Construction Co., Inc. Requirements Contracts" prepared by your office. The audit appears comprehensive and thorough and although we have not verified the detailed findings it has uncovered potential flaws in our Departmental documentation procedures associated with contracts of this nature.

In general, requirements contracts are utilized for small to medium construction projects that are either emergency in nature, or where time is of the essence and minimal engineering or design input is necessary. Work orders are initiated after a review of specific scope requirements with the contractor and an estimate is developed and approved. The contractor is required to notify the Department when any work order is anticipated to exceed the approved estimate. While we agree with the report recommendations, we do endeavor to inspect the work sites daily, however, staff limitations have inhibited our ability to provide more comprehensive inspection coverage of these work orders which are sometimes numerous. Although we will endeavor to improve daily inspections, work is in all cases inspected in relation to progress and quality requirements. Moreover, the audit has revealed a documentation failing wherein the project accounting can differ from the contractor certified payrolls. Our contractor documentation requirements will be changed to reflect submission of the certified payroll with contractor payment requests so that records can be verified. In addition, we have revised our "Daily Force Account Cost Sheet" (see attached) to align with the certified payroll forms so that "one to one" comparisons can be readily accomplished for work order payment purposes.

The audit also identifies the improper calculation of labor costs by combining wages with fringe benefits for tax and insurance computation purposes. This issue was addressed by the former CPO in a letter from Deputy Director Chris Donato to Mr. Pannulla on Aug 16, 2007 (see attached). We would like to point out, however, that while computational method outlined in the report is appropriate for union employees or other salaried contractor employees, it may not be appropriate for non union and other contract employees who self administer benefits or some portion thereof.

We appreciate your affording us the opportunity to review and comment on the subject audit and value the recommendations identified in the report. We also recommend that Mr. Pannulla be given the opportunity to respond to specifics associated with reported discrepancies related to undocumented employees and certified payroll inconsistencies.

Yours truly,

A handwritten signature in black ink, appearing to read 'G. F. Knappick', written in a cursive style.

Gary F. Knappick, PE  
Deputy Commissioner, Public Property  
Capital Projects Division

Cc. Joan Schlotterbeck, Commissioner – Public Property  
Chris Donato – Deputy Budget Director



# CITY OF PHILADELPHIA

## CAPITAL PROGRAM OFFICE

One Parkway  
1515 Arch Street - 11<sup>th</sup> Floor  
Philadelphia, PA 19102  
(215) 683-4400 Telephone  
(215) 683-4499 Fax

**RICHARD TUSTIN**

Director,  
Capital Program Office

August 16, 2007

Mr. Joseph Pannulla  
Pannulla Construction Co., Inc.  
454-456 Conarroe St., Suite 1  
Philadelphia, PA 19128

Re: Percentage Markup of 43.9054% on Bid 4607GCON - Requirements Contract

Mr. Pannulla:

In reviewing cost estimates and invoices for the general construction requirements contract noted above, it has come to my attention that the insurance and taxes markup being included by Pannulla Construction Co., Inc. has been inaccurately calculated. Currently, Pannulla Construction Co., Inc. has been multiplying both the hourly wage and the fringe benefits cost by its multiplier of 43.9054% when, in fact, only the hourly wage should be included in this markup. Items such as Social Security, Medicare, Workers Compensation, etc. are percentages of hourly wages, and not percentages of fringe benefits.

CPO project management personnel have approved these markups as they have been submitted for estimates and invoicing thus far. And payments have been approved by other city agencies, as well. However, starting immediately, all future estimates and payments under this contract must have the insurance and taxes markup as noted above, using the 43.9054% against only the hourly wages, and not the fringe benefits. Any estimates or invoices that do not reflect this adjustment will be returned for correction.

The city and the Capital Program Office appreciate the services provided by Pannulla Construction Co., Inc. over the years and look forward to continuing a strong working relationship. If you should have any questions about these changes, please do not hesitate to contact me.

Sincerely,

  
Christopher Donato  
Deputy Director, Budget Management

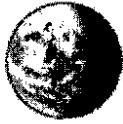
cc: Jason Stevens, Architectural Project Coordinator II, CPO  
Suzanne Lewis, Administrative Officer, CPO  
Harold Aponte, Deputy Director, Project Management, CPO

cc. G. KHANKE  
R. DAVID  
File - Proj # 07-06-4607-99  
Sect 4.07





## **VENDOR RESPONSE**



"Jeffrey S. Michael"  
<jeff@bluesteinmichael.com>

10/08/2009 01:32 PM

To <john.h.thomas@phila.gov>, <edward.sullivan@phila.gov>

cc "Hal K. Bluestein" <hal@bluesteinmichael.com>

bcc

Subject Pannulla Phila Audit.xls

History

This message has been forwarded

Mr. Thomas and Mr. Sullivan,

Attached please find an Excel file which I discussed with Mr. Thomas yesterday. There are multiple worksheet tabs with calculations to support the narrative response on the first tab. The narrative refers you to the appropriate tab letter/number. Each page of the spreadsheet is formatted to print on 8.5 x 11 paper.

Also attached are two pdf files which are referenced in the narrative section.

We tried to order our spreadsheet items in the same sequence you listed dates and work orders on your documents. I hope you find the formats easy to follow and work with. Please contact me with any questions.

We appreciate your timely efforts to bring this matter to resolution.

Regards,

Jeffrey S. Michael, CPA  
Bluestein, Michael & Co., PC  
8033 Old York Road Suite 210  
Elkins Park, PA 19027  
Phone 215-635-3200 x204  
Fax 215-635-2590  
jeff@bluesteinmichael.com  
www.bluesteinmichael.com



Phila letter to Pannulla.pdf

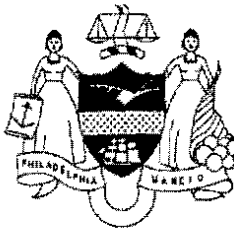


Labor class checks.pdf



Pannulla Phila Audit.xls

- \* Copies of the Vendor's "Labor Class Checks" are available in the Office of the City Controller upon request.
- \*\* The narrative summary of the Vendor's response to our audit finding is attached. The detail worksheet tabs with supporting calculations are available in the Office of the City Controller upon request.



# CITY OF PHILADELPHIA

## CAPITAL PROGRAM OFFICE

One Parkway  
1515 Arch Street – 11<sup>th</sup> Floor  
Philadelphia, PA 19102  
(215) 683-4400 Telephone  
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**RICHARD TUSTIN**

Director,  
Capital Program Office

August 16, 2007

Mr. Joseph Pannulla  
Pannulla Construction Co., Inc.  
454-456 Conarroe St., Suite 1  
Philadelphia, PA 19128

Re: Percentage Markup of 43.9054% on Bid 4607GCON – Requirements Contract

Mr. Pannulla:

In reviewing cost estimates and invoices for the general construction requirements contract noted above, it has come to my attention that the insurance and taxes markup being included by Pannulla Construction Co., Inc. has been inaccurately calculated. Currently, Pannulla Construction Co., Inc. has been multiplying both the hourly wage and the fringe benefits cost by its multiplier of 43.9054% when, in fact, only the hourly wage should be included in this markup. Items such as Social Security, Medicare, Workers Compensation, etc. are percentages of hourly wages, and not percentages of fringe benefits.

CPO project management personnel have approved these markups as they have been submitted for estimates and invoicing thus far. And payments have been approved by other city agencies, as well. However, starting immediately, all future estimates and payments under this contract must have the insurance and taxes markup as noted above, using the 43.9054% against only the hourly wages, and not the fringe benefits. Any estimates or invoices that do not reflect this adjustment will be returned for correction.

The city and the Capital Program Office appreciate the services provided by Pannulla Construction Co., Inc. over the years and look forward to continuing a strong working relationship. If you should have any questions about these changes, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'Chris Donato'.

Christopher Donato  
Deputy Director, Budget Management

cc: Jason Stevens, Architectural Project Coordinator II, CPO  
Suzanne Lewis, Administrative Officer, CPO  
Harold Aponte, Deputy Director, Project Management, CPO

A) UNDOCUMENTED EMPLOYEES

- (1) Joseph T. Pannulla is the foreman for all jobs. He was told by Juan Ortiz at Labor Standards to not include his wages on certified payroll because he is an officer of the company. Accordingly, many of the billed foreman hours do not have a related certified payroll. Joe did work these jobs as evidenced by the signed daily worksheets. Foreman wages paid, not reported on certified payroll total \$38,567.
  - See spreadsheet tab A1a for contract 07-06-4607-99 (07-4009)
  - See spreadsheet tab A1b for contract 16-07-4550-99 (07-4013)
  - See spreadsheet tab A1c for dates identified by auditors where foreman hours agree.
  - We assumed auditors referenced a rate difference, which we calculated.
- (2) Non-Foreman hours worked, but erroneously left off certified payrolls, totaling \$34,684
  - See spreadsheet tab A2a for hours worked, with pay documentation available \$ 5,665
  - The following lists represent hours worked, with pay documentation unavailable:
    - See spreadsheet tab A2b for contract 07-06-4607-99 (07-4009) \$ 14,465
    - See spreadsheet tab A2c for contract 16-07-4550-99 (07-4013) \$ 14,554
- (3) We could not identify the remaining balance of \$2,641 from your total of \$75,892.

B) IMPROPER CALC OF OVERHEAD - INSUR & TAXES

Joseph T. Pannulla is not in the union, therefore all applicable fringes are added to the foreman base rate. Accordingly there should be no adjustment to foreman insurance, taxes, and markup percentage. The amount of this factor is \$16,256 - see the calculation method for this at the bottom of the page.

Markup calculation for all other employees:

Pannulla Construction has a letter from the City of Philadelphia dated August 16, 2007 stating that billings for markups to date, and payments for billings, have been approved by the City. In addition, the letter clarifies the markup formula for subsequent billings. Our understanding is that other contractors working for the City independently calculated their overhead rates the same way as Pannulla Construction did prior to the referenced letter. Pannulla immediately changed their calculation as requested in August 2007, and believe this letter from the City constitutes acceptance by the City of overhead calculations prior to that date. See attached PDF file for the letter.

If Pannulla Construction had been aware their overhead calculation was not correct, they would have used a higher profit markup in their submitted contract bid. The end cost to the City would have been comparable to what the City paid - accordingly the City was not over charged.

Since we received no documentation for your overhead claim, we prepared our own schedules of the alleged overhead overcharge. For each billing on the two contracts prior to the August rate method change, we calculated the overhead using both methods for all labor cost except foreman. The variance of \$47,451 is calculated on the spreadsheet tabs listed below. The difference between the City calculation and ours is the foreman factor listed above.

See spreadsheet tab B1a-c for contract 07-06-4607-99 (07-4009)	\$ 16,568
See spreadsheet tab B2a-b for contract 16-07-4550-99 (07-4013)	\$ 30,883

C) LABOR CLASSIFICATIONS

- (1) Joseph A. Pannulla (Joe T's son) is in the laborers union, but occasionally works as a mason (once as foreman). According to contract specifications, he is billed to the City based on the service he performed that day. His weekly paycheck is at laborer rates. At the end of the year, he receives a bonus to make up the rate differential.

City calc (net \$5,403 - \$2,203)	3,200	per audit letter
Billed to City (w/markups)	2,946	spreadsheet tab C1
Gross pay rate difference	1,944	spreadsheet tab C1
Bonus check to Joseph A. (gross)	3,000	pdf file attached

- (2) Daniel Pannulla is a cement mason who worked some days as a carpenter. He was billed to the City as a carpenter for the work performed, and paid for the week as a cement mason. He also received a year-end bonus which in part compensated him for the rate differential.

Billed to City (w/markups)	469	spreadsheet tab C2
Gross pay rate difference	307	spreadsheet tab C2
Bonus check to Daniel (gross)	2,000	pdf file attached

The billings to the City for these items exceed the \$3,200 calculation per the audit letter.

D) MULTIPLE LOCATIONS SIMULTANEOUSLY

As the only foreman, Joseph T. Pannulla rotates to work each active job daily, and routinely works a twelve hour day. The daily worksheet is signed off by Joe and city inspectors, and Joe's overall pay exceeds the foreman plus fringe prescribed rate. Pannulla Construction is entitled to have a foreman at each job for eight hours per day. By running each job as he bid and envisioned, and by charging less overall foreman time, the City actually saves money, gets a better finished product, and has more money left under the contract for additional projects as needed.

Again we will mention that Joe is not in the union. He is considered an exempt employee, who does not receive overtime pay, and is not limited to working an eight hour day as the City spreadsheet presumes.

Our review of the City spreadsheet notes ten days which had charges in excess of twelve hours for foreman time across all jobs. We agree to limit hours charged for those days to twelve, which results in \$3,741 due to the City as calculated on spreadsheet tab D1.