



**Mary Taylor, CPA**  
Auditor of State



## TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	3
Supplement to the Special Audit Report	
Relevant Individuals and Entities	5
Background	6
General Contract Noncompliance and Internal Control Recommendations	7
Issue No. 1 Midwest Paving	11
Issue No. 2 Chaney Cement Contractors, Inc.	13
Issue No. 3 MGL Enterprises, Inc.	15

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Honorable Susan A. Drucker, Mayor  
City of Solon  
34200 Bainbridge Road  
Solon, Ohio 44139-2955

We conducted a special audit of the City of Solon (City), by performing the procedures enumerated in the attached Supplement to the Special Audit Report for the period January 1, 2004 through December 31, 2007 (the Period), solely to:

- Determine whether the City received the quantity and quality of material billed by the contractor for the contracts entered into with Midwest Paving, Chaney Cement Contractors, Inc. (for the extended period of January 1, 2001 through December 31, 2007), and MGL Enterprises, Inc.

This engagement was conducted in accordance with the Quality Standards for Inspections established by the President's Council on Integrity and Efficiency (January 2005). The procedures and associated findings are detailed in the attached Supplement to the Special Audit Report. A summary of our procedures and significant results is as follows:

1. We examined available contracts, invoices, inspection reports, and drop slips received from concrete suppliers related to projects undertaken by Midwest Paving to determine whether the City received the quantity and quality of material billed by the contractor at the established unit price.

Significant Results – The City entered into two contracts with Midwest Paving to perform street repair during 2007. Midwest overcharged the City \$351,986 for the type and amount of concrete used to complete the contracts. Midwest also made billing calculation errors on one of the contracts in the amount of \$30,858, which the City paid.

We issued Findings for Recovery against Midwest Paving, as well as the subcontractors who performed work on the two contracts, Chaney Cement Contractors, Inc., and MGL Enterprises, Inc., and Domonic Bisesi, City Construction Supervisor, totaling \$382,844. Midwest billed the City based on information from Chaney Cement Contractors, Inc., and MGL Enterprises, Inc. Mr. Bisesi approved the invoices for payment and/or certified payments to the City finance director. Two recommendations were made to improve controls over billing and bidding.

2. We examined available contracts, invoices, inspection reports, and drop slips received from concrete suppliers related to projects undertaken by Chaney Cement Contractors, Inc. to determine whether the City received the quantity and quality of material billed by the contractor at the established unit price.

Significant Results – We reviewed 20 contracts the City entered into with Chaney Cement Contractors, Inc. to perform street repair. Chaney overcharged the City \$1,510,868 for the type and amount of concrete used to complete the contracts. Chaney also made billing errors on 15 of the contracts in the amount of \$95,792, which the City paid.

We issued Findings for Recovery against Chaney Cement Contractors, Inc., and Domonic Bisesi, who approved the invoices for payment and/or certified payments to the City finance director, totaling \$1,606,660. One recommendation was made to improve controls over billing.

3. We examined available contracts, invoices, inspection reports, and drop slips received from concrete suppliers related to projects undertaken by MGL Enterprises, Inc. to determine whether the City received the quantity and quality of material billed by the contractor at the established unit price.

Significant Results – We reviewed six contracts the City entered into with MGL Enterprises, Inc. to perform street repair. MGL overcharged the City \$382,973 for the type and amount of concrete used to complete the contracts. MGL also made billing errors on one contract in the amount of \$879, which the City paid.

We issued Findings for Recovery against MGL Enterprises, Inc. and Domonic Bisesi, who approved the invoices for payment and/or certified payments to the City finance director, totaling \$383,852.

4. During our special audit, we noted noncompliance with the Ohio Revised Code, the City's Codified Ordinances and contract requirements applicable to projects of each contractor. We issued five noncompliance citations related to destruction of records, bid specifications, monthly invoicing, change orders and project deadlines. We also made six recommendations to improve controls over contract estimates versus contract billings, contract documents, contract start dates, invoices, emergency repairs and unbalanced bids.
5. On July 19, 2010, we held an exit conference with the following individuals representing the City:

Susan A. Drucker, Mayor	D. William Weber, Director of Finance
Tom Cornhoff, Director of Human Resources	David Matty, Director of Law

The attendees were provided an opportunity to respond to this special audit report. A response was received on July 19, 2010. The response was evaluated and changes were made to this report as we deemed necessary.



Mary Taylor, CPA  
Auditor of State

May 6, 2009

## Supplement to the Special Audit Report

### Relevant Individuals and Entities

#### Domonic Bisesi

Mr. Bisesi was the City's Construction Supervisor. He was a City employee for over 20 years at the time of his resignation on February 7, 2008. As Construction Supervisor, Mr. Bisesi assisted with preparing contracts and was the City's representative in the field directing contractors. Mr. Bisesi was also responsible for assigning inspectors to observe contractors to ensure contract specifications and requirements were satisfied. Although Mr. Bisesi was able to perform inspections, he did not perform any documented inspections for the contracts which we reviewed. Mr. Bisesi also approved contractor invoices for payment.

On October 11, 2007, Mr. Bisesi suffered a work injury and was placed on disability leave. The City offered him a light-duty assignment on November 12, 2007, for him to return to work; however, Mr. Bisesi declined. He did not return to work at any point prior to his resignation on February 7, 2008.

#### Midwest Paving

Midwest Paving (Midwest) is an asphalt company owned by Joseph Bibbo. During the Period, Midwest Paving was awarded two City contracts.

#### Chaney Cement Contractors, Inc.

Chaney Cement Contractors, Inc. (Chaney) is a concrete company owned by Marco Leone. The company has been working in the City since 1997. Based on documentation obtained and interviews conducted, Chaney was owned by Marco Leone and Massimo Leone. Mario Leone, the father of Marco and Massimo Leone, was listed as President and/or signed 13 contracts between the City and Chaney. In 2006, Marco and Massimo Leone separated and Marco Leone continued to operate Chaney while Massimo Leone started a new company named MGL Enterprises, Inc.

#### MGL Enterprises, Inc.

MGL Enterprises, Inc. (MGL) is a concrete company owned by Massimo Leone who is the brother of Marco Leone. The company was founded in 2006 and received its first contract with the City that same year. Mario Leone, Massimo and Marco Leone's father, was listed as Vice-President of MGL on at least two of the contracts with the City.

## Supplement to the Special Audit Report

### Background

In July 2007, former Mayor Kevin C. Patton initiated an internal investigation of an engineering contract based on a complaint he received concerning certain contractors that performed concrete street repairs and other services related to the City's infrastructure. The complaint alleged quantities of material used were less than billed and quality of material and workmanship did not meet competitively bid specifications.

In October 2007, the City's Director of Finance requested assistance and guidance from the Auditor of State (AOS). A preliminary investigation determined that Midwest Paving and Chaney Cement Contractors, Inc., which were the subjects of the original complaint, and MGL Enterprises, Inc., did the majority of concrete/paving work for the City.

The City's Engineering Department examined one contract and its billings involving Midwest Paving during 2007 and concluded Midwest Paving overcharged the City for the quantity of concrete delivered. The review also showed Midwest Paving invoiced the concrete used as a type of concrete with a higher unit price than the type of concrete actually used. The City concluded Midwest Paving overcharged the City by approximately \$230,000.

From October through December 2007, we met with City officials to assist with their internal investigation.

In January 2008, the AOS initiated a special audit of the City of Solon, specifically related to the three contractors; Midwest Paving, Chaney Cement Contractors, Inc., and MGL Enterprises, Inc.

In November 2008, the AOS agreed to the City's request to expand the scope of the special audit for contracts with Chaney Cement Contractors to the period January 1, 2001 through December 31, 2007.



## Supplement to the Special Audit Report

### General Contract Noncompliance and Internal Control Recommendations

#### NONCOMPLIANCE CITATIONS

##### Destruction of Records

Ohio Rev. Code Section 149.351 states in pertinent part that “all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under rules adopted by the records commissions provided for under sections 149.38 to 149.42 of the Revised Code...”

During the Period, there were construction reports, concrete delivery logs, itemized sheets and drop slips<sup>1</sup> which the City was unable to provide. Additionally, the City Council approved an amount to be spent on road improvements for the year and a general list of streets needing repair. The City’s engineering department was unable to provide documents to identify areas designated for replacement or repair, and to support estimates used in bidding documents.

Without maintaining complete documentation of work performed, the City is unable to monitor whether the contractor’s invoices accurately reflect the work completed. Additionally, failure to maintain the annual list of needed street repairs reduces the City’s ability to ensure the required work was completed.

We recommend that all documents related to the contracts be maintained. These documents should be used to verify the amounts invoiced by the contractors prior to the City’s payment. Additionally, maintaining the documents will provide a historical timeline of prior projects for the City’s review and evaluation.

##### Bid Specifications

As part of the audit we reviewed numerous contracts containing bid specifications for eight and ten inch concrete which required mesh reinforcement; however, beginning in 2004, Chaney and MGL used fiber mesh reinforcement instead of the required wire mesh. According to the City’s engineer, John Busch, Chaney and MGL were given verbal permission to use fiber mesh, which is less expensive to install than wire mesh. Mr. Busch stated the City had been allowing fiber mesh instead of wire mesh on concrete projects for the last three or four years, without updating the contracts or bid sheets, and without notifying all bidders of the change. Mr. Busch further stated that Chaney and MGL were the only two contractors that knew they could use fiber mesh instead of wire mesh.

Competitive bidding only works when all competitors have the same specifications for the scope of work. To effectively competitively bid City projects all competitors should have the same specifications for the scope of work. Otherwise, the bids which are received cannot truly be compared to each other in determining the “lowest and most responsible” bidder. Chaney and MGL’s knowledge that fiber mesh could be used instead of wire mesh put other bidders at a disadvantage. This helped Chaney and MGL to submit bids which were lower than their competitors.

We recommend the City update the bid documents to include the actual specifications for the job, and ensure that each bidder has received the same information from the City regarding the prospective project.

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<sup>1</sup> The construction reports, concrete delivery logs and itemized sheets were prepared by an on-site inspector either employed by the City or contracted through a private company. Construction reports documented each day’s work. The concrete delivery logs were used on days when concrete was poured to document the amount of concrete delivered. The itemized sheets identified a running total for each bid item. The drop slips were completed by the concrete supplier and documented the location, amount and type of concrete delivered.

## Supplement to the Special Audit Report

### Monthly Invoicing

The contract documents state, "The contractor shall submit to the City once each month a certified estimate approved by the engineer for the work performed. Not later than 30 days after the submission, the City shall make partial payment to the contractor."

In eleven of the contracts reviewed, the contractor failed to submit a certified estimate once each month as required. For one contract, the contractor failed to submit an estimate or invoice for ten months. The failure to submit estimates or invoices in a timely manner increases the risk of billing errors not being detected in a timely manner or difficulty in determining that work billed was actually completed.

We recommend the City's engineer monitor contract invoicing to confirm certified estimates and/or invoices are submitted in accordance with contract requirements.

### Change Orders

The City's Codified Ordinance 234.04 requires all contract amendments to be in writing and also states, "Such amendment shall have the written approval signatures of the Mayor or the authorized head of the department involved, the contractor, and the Director of Finance, and shall be approved as to form by the Director of Law."

Additionally, the standard contract language states, "If changes in the design of any portion of the work or in the requirements of the specifications are deemed necessary by the engineer, he may, in writing, order alterations to or changes in the work." It further states, "Should the contractor desire to make any alterations in the drawings or specifications, the same shall be submitted in writing to the engineer."

For 16 of the contracts reviewed, the City either did not complete a change order when required, or failed to thoroughly complete change orders with all required information and signatures. Some of the changes not documented in a formal change order included contractors billing for items which were not part of the original contract specifications. For these items, the lack of a written change order prohibited us from determining whether changes to the contracts were paid in accordance with an agreed upon, established price.

The failure to document contract changes and amendments in writing and to obtain the required signatures increases the risk of inadvertently exceeding budgetary restraints and overpayment. We recommend the finance director monitor contract payments and confirm amendments are properly completed prior to payment.

### Project Deadlines

Each project included an established completion date. The City's contracts contain standard language which states, "To secure any extension of time, the contractor must submit a written request to the engineer, citing specific reasons, explanations, and dates." Additional language states the contractor agrees that the City shall deduct and retain liquidated damages for the non-completion of the work within the times established.

The contracts we reviewed identified a completion date and also imposed damages for each calendar day the project was not completed past the designated date. The final day of work performed for 14 of the 28 contracts exceeded the agreed upon completion date. There was no documentation provided by the City which extended the completion date, nor were liquidated damages assessed against the contractor.

The failure to enforce the completion date subjects the City's residents to longer than necessary inconvenience and gives the contractor an advantage over other bidders for the project as those bidders may calculate their bids based on the completion date established by the City. The City should monitor contractors so they do not exceed the completion dates. If, through no fault of the contractor, the completion date cannot be attained, the City should document the cause for the delay and identify the new date. However, if the contractor repeatedly exceeds the completion date, the City should consider whether the contractor should be allowed to bid on future contracts.

Additionally, we recommend the City either begin enforcing the contract language which provides for liquidated damages for not meeting the completion date, or consider removing that language from the contract documents.

# Supplement to the Special Audit Report

## MANAGEMENT COMMENTS

### Contract Estimates versus Contract Billings

Midwest, Chaney, and MGL's bids for the concrete repair programs included two different classes of concrete to be used in varying amounts. Each contract documented the quantity of each type of concrete and its cost. For example, the 2007 contract with Midwest projected Midwest would use 120,000 square feet of concrete priced at \$4 per square foot and 2,000 square feet of a different class of concrete priced at \$6 per square foot. However, Midwest did not bill the City for any of the \$4 concrete, but billed the City for 104,846 square feet of \$6 concrete.

Although the quantities of concrete provided in the contract were estimates, the variances between the two classes of concrete which were billed resulted in significant increased cost to the City. In the 2007 contract, the difference between the price estimate and the actual charges for concrete was \$137,076.

Also, the ability to charge in excess of the engineer's estimate on certain items, without charging other items, was one of the factors which resulted in the contractor overcharging the City as indicated in the Findings for Recovery identified later in this report.

We recommend the City include a more accurate estimate of quantities needed. If, for any reason, the specifications need to be changed, the city engineer should document the required change, the reason for the change, as well as the increase or decrease in estimated cost. These procedures would help ensure all bidders have the same information to submit a well informed bid and also reduce the risk of overcharges to the City.

### Contract Documents

Contract and bid documents were not entirely completed. Construction reports, concrete delivery logs and itemized sheets were not always accurately and fully completed for the 28 contracts reviewed. These documents did not always identify specific work, depth, measurements and/or square feet of concrete poured.

Construction reports, concrete delivery logs and itemized sheets should be completed in their entirety, for use by the City in verifying prescribed work was completed. Failure to adequately document work being performed and comparing those reports to amounts invoiced resulted in overpayments to the contractor.

We recommend all documents related to the contract be complete and accurate with all required information and signatures. This will allow the documents to be compared to the invoices and reduce the risk of paying for work that was not completed.

### Contract Start Date

The contractors routinely began performing work on contracts as soon as they became aware of the acceptance of their bid, prior to the contract being signed or the "notice to proceed" order being issued.

For projects started prior to the contract or "notice to proceed" date, we discovered drop slips indicating work had begun; yet, inspector reports were not provided. This may indicate that an inspector was not on site, resulting in work being performed which was not documented in a formal construction report.

We recommend contractors not begin work until either the contract is signed or the "notice to proceed" is issued by the City. An inspector should always be present to review the contractor's work for adherence to contract specifications. The City should require the contractor to notify the City of the dates it intends to be working, to allow for an inspector to be on site.

## Supplement to the Special Audit Report

### Invoices

Invoices contained numerous calculation errors and per unit pricing errors. This resulted in overbilling by the contractors and subsequent overpayments by the City.

Invoices should be reviewed for correct unit pricing and recalculated to ascertain correct billing. Items which are "lump sum" pricing should be tracked to determine the payment does not exceed the contract approved amount. Contract items which have "allowances" requiring supporting receipts should have a copy of the receipt attached prior to payment.

These procedures would enhance control over disbursements and reduce the risk of overpayments to contractors.

### Emergency Repairs

During the Period, emergency repairs were not bid. According to John Busch, it was the City's practice to use the contractor that was in the City doing the annual concrete program to do emergency repairs. Domic Bisesi would identify the emergencies and then have the contractor perform the work. Mr. Busch also stated that the cost of repairs was not discussed or approved prior to the contractor performing the work. During an interview with Marco Leone, he indicated that if the work was an emergency, he had full discretion to charge any fees which he established.

For example, during the performance of the 2006 Concrete Repair Program, one street received emergency repair work which was charged to the City for \$45,000. Had this repair been paid according to the established prices in the 2006 Concrete Repair Program contract, it would have cost \$9,500. However, since the emergency repairs were not bid and the contractor could establish his own price, the City paid \$35,500 more than they would have been charged, had the emergency been paid from the annual contract price.

In 2008 the City accepted bids for an annual contract for emergency repair work. By doing so, the emergency work will no longer automatically default to the contractor performing the City's annual concrete program. We recommend the City ensure that emergency work includes only true emergencies, and that prices for emergency work are agreed upon in writing and in advance of the performance of work.

### Unbalanced Bids

The City received five bids for the 2002 Concrete Repair Program. Chaney was originally the second lowest bidder on this contract. The lowest bidder included two items on its bid sheet that were bid well below the cost of materials to complete the work. These same two items were also bid below cost in the prior year's contract, which was awarded to Chaney.

According to the United States Department of Transportation (USDOT), Office of Program Administration, "A mathematically unbalanced bid is one containing lump sum or unit bid items which do not reflect reasonable actual costs plus a reasonable proportionate share of the bidder's anticipated profit, overhead costs, and other indirect costs, which he/she anticipates for the performance of the items in question."

In an interview, Sally Reemsnyder, former director of engineering, said the unbalanced bid for the 2002 Concrete Repair Program was brought to her attention by Domic Bisesi. She stated that Mr. Bisesi did not identify Chaney's 2001 bid as being unbalanced, which is why the 2001 contract was approved for Chaney. As a result of Mr. Bisesi notifying Ms. Reemsnyder of the 2002 lowest bidder's unbalanced bid, Ms. Reemsnyder rejected the original bids and held a second bid opening. This time, Chaney was the lowest bidder and was awarded the contract.

The 2001 Concrete Repair Program contract was awarded to Chaney with an unbalanced bid. Because no one at the City identified the bid as unbalanced, Chaney received the contract at an unfair advantage over the other bidders.

We recommend the City perform a detailed review of all bid documents to ensure the lowest bidder is not submitting an unbalanced bid. USDOT recommends that bids be analyzed by considering whether the bid is mathematically unbalanced and the effect the unbalanced bid items have on the total contract amount. Bids should also be evaluated for reasonable conformance with the engineer's estimate.

## Supplement to the Special Audit Report

<b>Issue No. 1 – Midwest Paving</b>
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### PROCEDURES

We obtained and examined bid documents, contracts, construction reports, concrete delivery logs, itemized sheets, drop slips and invoices for all contracts issued to Midwest Paving (Midwest) during the Period.

We identified the type and calculated the total amount of concrete delivered for each contract and compared it to contractors' invoices to determine whether the City was billed for the correct type of concrete and if the City was billed in excess of the quantity delivered. We compared invoice details to project contract provisions to determine whether the City was billed for project costs in accordance with the contracted unit prices.

### RESULTS

Midwest's owner, Joseph Bibbo, stated his company only performed asphalt work and he used subcontractors for concrete work in the City. During the Period, Midwest was awarded two contracts, the Cochran Road Resurfacing project (55% asphalt) and the 2007 Concrete Repair Program (no asphalt).

Mr. Bibbo said that Marco Leone of Chaney Cement Contractors, Inc. (Chaney) provided Mr. Bibbo with the prices he used in submitting his bids for both projects. Mr. Bibbo stated he believed that Chaney was the subcontractor for both projects; however, our review of documents revealed that Chaney was the subcontractor for the Cochran Road Resurfacing project only and MGL Enterprises, Inc. (MGL) was the subcontractor on the 2007 Concrete Repair Program. The 2007 Concrete Repair Program contract documentation did not list any subcontractors.

Mr. Bibbo stated that Marco Leone also provided him with the amounts he used on invoices to the City for concrete work on both projects. When the City paid Midwest, Mr. Bibbo then paid Chaney. Documents provided by Mr. Bibbo and Marco and Massimo Leone showed that Mr. Bibbo's company only retained the cost of the bond and forwarded the remaining amount paid by the City to Chaney. If the check from Midwest related to the 2007 Concrete Repair Program, Marco Leone then paid MGL.

### FINDINGS FOR RECOVERY

#### Concrete Overbilling

Midwest Paving, owned by Joseph Bibbo, received the contract to repair Cochran Road. As part of this contract, concrete work was performed by Chaney Cement Contractors, Inc., owned by Marco Leone. Midwest Paving invoiced the City based on amounts provided by Marco Leone.

Midwest Paving also received the 2007 Concrete Repair Program contract to repair various sections of road throughout the City. As part of this contract, concrete work was performed by MGL Enterprises Inc., owned by Massimo Leone. Midwest Paving invoiced the City for concrete based on amounts provided by Massimo Leone's brother, Marco Leone, on behalf of Massimo Leone. Construction Supervisor, Domonic Bisesi approved the Midwest invoices for payment and/or certified the payment to the City's finance director.

Midwest Paving, using Chaney Cement Contractors, Inc. as its subcontractor, overbilled the City \$159,578 for use of an inferior grade of concrete which did not meet the contractual specifications and for concrete in excess of the quantity actually used to complete the Cochran Road Resurfacing contract. The City has not paid the retainage held on this project totaling \$99,546. Midwest Paving, using MGL Enterprises, Inc. as its subcontractor, also overbilled the City \$361,088 for type of concrete used and for concrete in excess of the quantity actually used to complete the 2007 Concrete Repair Program contract. The City has not paid the retainage held on this project totaling \$69,134.

## Supplement to the Special Audit Report

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Midwest Paving, Chaney Cement Contractors, Inc., and Domonic Bisesi, jointly and severally, in the amount of \$60,032, and Midwest Paving, MGL Enterprises, Inc., and Domonic Bisesi, jointly and severally, in the amount of \$291,954, and in favor of the City.

### Billing Errors

Midwest Paving, owned by Joseph Bibbo, received the contract to repair Cochran Road. As part of this contract, concrete work was performed by Chaney Cement Contractors, Inc., owned by Marco Leone. Midwest Paving invoiced the City based on amounts provided by Marco Leone. Construction Supervisor, Domonic Bisesi approved the Midwest invoices for payment and/or certified the payment to the City's finance director.

Midwest submitted two invoices which contained mathematical errors. The City paid the invoices as they were presented, resulting in an overpayment to Midwest totaling \$30,858. Of this amount, \$4,668 was related specifically to asphalt work which was completed by Midwest and the remainder was for concrete work completed by Chaney Cement Contractors, Inc.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Midwest Paving, Chaney Cement Contractors, Inc., and Domonic Bisesi, jointly and severally, in the amount of \$26,190 and Midwest Paving and Domonic Bisesi, jointly and severally, in the amount of \$4,668, and in favor of the City.

## MANAGEMENT COMMENTS

### Monitoring Actual Work Performed

Although documents provided by the City indicated work did not begin on the 2007 Concrete Repair Program until June 4, 2007, the first invoice for the project submitted by Midwest was dated June 1, 2007 for \$195,471.

In an interview, Massimo Leone explained that the invoice dated June 1, 2007 was actually for other, unrelated work MGL performed prior to the 2007 Concrete Repair Program. Although Mr. Leone did not have it in writing, he stated that Mr. Bisesi instructed him to charge these items to the 2007 Concrete Repair Program. When we interviewed Mr. Bisesi, he denied having told Mr. Leone to charge unrelated items to the annual concrete contract.

The annual concrete repair programs indicate a maximum cost documented in the contract. If all of the identified streets cannot be repaired within the established cost, they are held up until the following year's program or the City is required to approve a change order. By not confirming that invoiced work related to the contract against which it was charged, the annual program could exceed the established cost prior to all requested repairs being made, resulting in streets not being repaired or change orders being issued unnecessarily.

We recommend the City reconcile the submitted invoices with the contract documents to ensure projects are being charged accurately.

### Monitoring the Use of Subcontractors

The 2007 Concrete Repair Program bid documents submitted by Midwest did not identify a subcontractor; however, MGL, the second lowest bidder, performed all the work related to this contract.

By not identifying the subcontractors in the bidding documents or contracts, it may be possible for a company to be doing work in the City without the City's knowledge or approval.

We recommend all subcontractors be identified in the bidding documents and the contracts. The contracts should stipulate that the addition of any subcontractors after the contract is signed must be approved by the City in writing.

## Supplement to the Special Audit Report

### Issue No. 2 – Chaney Cement Contractors, Inc.

#### Procedures

We obtained and examined bid documents, contracts, construction reports, concrete delivery logs, itemized sheets, drop slips and invoices for contracts issued to Chaney Cement Contractors, Inc. (Chaney) during the Period.

We identified the type and calculated the total amount of concrete delivered for each contract and compared it to contractors' invoices to determine whether the City was billed for the correct type of concrete and if the City was billed in excess of the quantity delivered. We compared invoice details to project contract provisions to determine whether the City was billed for project costs in accordance with the contracted unit prices.

#### Results

We reviewed certain contracts related to concrete road and/or sidewalk repair and also catch basin and manhole repairs which were performed during the period January 1, 2004 through December 31, 2007. We also reviewed certain contracts related to concrete road and/or sidewalk repair in excess of \$150,000 which were performed during the period January 1, 2001 through December 31, 2003. In total, we reviewed 20 contracts awarded to Chaney.

#### FINDINGS FOR RECOVERY

##### Concrete Overbilling

Chaney Cement Contractors, Inc., owned by Marco Leone and his brother Massimo Leone, received various contracts from the City during the Period. Construction supervisor, Domonic Bisesi, approved the Chaney invoices for payment and/or certified the payment to the City's finance director.

Based on documents provided by the City and concrete suppliers, Chaney overcharged the City for use of an inferior grade of concrete which did not meet the contractual specifications and concrete in excess of the quantity actually used on 16 of the 20 contracts in the total amount of \$1,539,978. The City has not paid the retainage held on some of these projects totaling \$29,110.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Chaney Cement Contractors, Inc., and Domonic Bisesi, jointly and severally, in the amount of \$1,510,868, and in favor of the City.

##### Billing Errors

Chaney Cement Contractors, Inc., owned by Marco Leone and his brother Massimo Leone, received various contracts from the City during the Period. Construction supervisor, Domonic Bisesi, approved the Chaney invoices for payment and/or certified the payment to the City's finance director.

As part of the audit, we reviewed invoices submitted by Chaney for 20 contracts of which 15 contained mathematical errors and/or unit pricing errors. The City paid the invoices as they were presented, resulting in an overpayment to Chaney totaling \$95,792.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Chaney Cement Contractors, Inc., and Domonic Bisesi, jointly and severally, in the amount of \$95,792, and in favor of the City.

## Supplement to the Special Audit Report

### MANAGEMENT COMMENT

#### Duplicate Invoice – Repaid under audit

Through our review of the contract documents, we noted Chaney submitted the same invoice to the City twice. The invoice, dated September 24, 2005 in the amount of \$112,352, was approved for payment by Domonic Bisesi. A photocopy of the same invoice was later submitted by Chaney and also approved by Mr. Bisesi. The City paid both invoices.

Although we discovered the duplicate invoice during the course of our field work, prior to AOS notifying Chaney or the City, Chaney repaid the City \$112,352.

We recommend the City develop specific internal controls to reduce the risk of paying the same invoice multiple times. These controls should include, but not be limited to, paying on only original invoices, reviewing invoices to ascertain they match bidding line items and unit costs, and develop a system to identify invoices with identical amounts for further review. The City's engineer should verify that the correct contract is being charged and also document his review of the invoices.



## Supplement to the Special Audit Report

### Issue No. 3 – MGL Enterprises, Inc.

#### Procedures

We obtained and examined bid documents, contracts, construction reports, concrete delivery logs, itemized sheets, drop slips and invoices for all contracts issued to MGL Enterprises (MGL) during the Period.

We identified the type and calculated the total amount of concrete delivered for each contract and compared it to contractors' invoices to determine whether the City was billed for the correct type of concrete and if the City was billed in excess of the quantity delivered. We compared invoice details to project contract provisions to determine whether the City was billed for project costs in accordance with the contracted unit prices.

#### Results

During the Period, MGL was awarded seven contracts and two emergency repairs by the City. We reviewed six of the seven contracts which were related to concrete road and/or sidewalk repair and also catch basin and manhole repairs. We did not review the remaining contract because it was a driveway repair for \$2,000, which was below the City's threshold for bidding (\$15,000) or obtaining additional quotes (\$5,000), and we did not review the two emergency contracts because the City did not provide specifications and allowable charges in advance of the projects.<sup>2</sup>

#### FINDING FOR RECOVERY

##### Concrete Overbilling

We reviewed six contracts awarded to MGL Enterprises, Inc., owned by Massimo Leone. Construction supervisor, Domonic Bisesi approved the MGL invoices for payment and/or certified the payment to the City's finance director.

Based on documents provided by the City and concrete suppliers, MGL overcharged the City for use of an inferior grade of concrete which did not meet the contractual specifications and for concrete in excess of the quantity actually used for all six of these contracts in the total amount of \$518,782. The City has not paid all of the invoices nor the retainage on these contracts, totaling \$135,809.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against MGL Enterprises, Inc., and Domonic Bisesi, jointly and severally, in the amount of \$382,973, and in favor of the City.

##### Billing Error

MGL Enterprises, Inc., owned by Massimo Leone, received the 2006 Concrete Repair contract. Construction supervisor, Domonic Bisesi approved the MGL invoices for payment and/or certified the payment to the City's finance director.

MGL submitted one invoice which contained mathematical errors. The City paid the invoice as it was presented, resulting in an overpayment to MGL totaling \$879.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against MGL Enterprises, Inc., and Domonic Bisesi, jointly and severally, in the amount of \$879, and in favor of the City.

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<sup>2</sup> See the comment titled "Emergency Repairs" in the General Contract Noncompliance and Internal Control Recommendations portion of this report.





Mary Taylor, CPA  
Auditor of State

CITY OF SOLON

CUYAHOGA COUNTY

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
JULY 21, 2010