



# OFFICE OF AUDITOR OF STATE

STATE OF IOWA

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## NEWS RELEASE

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FOR RELEASE March 6, 2009

Auditor of State David A. Vaudt today released a report on a special investigation of the City of Ames Electric Department for the period July 1, 2003 through January 7, 2008. The special investigation was performed as a result of concerns brought forth by citizens of the City of Ames and was conducted in accordance with section 11.36(3) of the *Code of Iowa*.

Vaudt reported the special investigation identified several findings related to a professional services contract the City established with SEGA, an engineering services firm, on October 14, 2003. According to the contract, SEGA was to "furnish and deliver a packaged combustion turbine generator with technical direction for field erection." In addition, the contract included a provision for additional services to upgrade the City's existing generator. The authorized contract value, including change orders, totaled \$1,748,371. Specifically, the procedures identified the following:

- Lack of adequate monitoring and oversight of compliance with terms of the contract with SEGA.
- Multiple purchase orders were used to authorize payments totaling \$86,496.08 to SEGA. The payments were in addition to the original purchase order established for the engineering services contract, for which payments totaled \$1,748,288.21. Some of the payments included in the \$86,496.08 were authorized by purchase orders established for less than the \$25,000.00 threshold required for City Council approval. As a result, the authorized amount of the contract and related change orders was exceeded.
- Services and equipment totaling \$151,700 for work related to the City's existing generator identified by a contract change order were not received in entirety by the City. According to City officials, financial resources were shifted at the City's direction from the existing generator to the new generator as a result of technical issues with the new generator. However, City officials were unable to provide us with documentation to support the shifting of resources.

The report also includes recommendations to strengthen the City's internal controls and overall operations for contract management, specifically for contracts administered by the Electric Department.

Copies of the report have been filed with the Story County Attorney's Office and the Attorney General's Office. A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/specials/specials.htm>.

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**CITY OF AMES ELECTRIC DEPARTMENT  
AUDITOR OF STATE'S REPORT**

**FOR THE PERIOD  
JULY 1, 2003 THROUGH JANUARY 7, 2008**



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**Auditor of State's Report**

To the Honorable Mayor and  
Members of the City Council:

As a result of concerns brought forth by citizens of the City of Ames, we conducted a special investigation of the City of Ames' Electric Department. We have reviewed citizen concerns and applied certain tests and procedures to certain transactions and records of the City of Ames for the period July 1, 2003 through January 7, 2008, or as otherwise noted. We performed the following procedures:

- (1) Evaluated internal controls to determine whether adequate policies and procedures were in place.
- (2) Compared terms of the City's professional service contract with SEGA, an engineering firm, to payments to determine if payments were appropriate and in compliance with terms of the contract.
- (3) Reviewed invoices and related documentation submitted by SEGA to the City to determine if the invoices were reasonable and were properly supported.
- (4) Examined change orders for the City's professional service contract with SEGA to determine (1) if equipment and services outlined in the change orders were provided to the City and (2) if change orders were properly authorized and approved in accordance with the City's purchasing policies.
- (5) Obtained and reviewed purchase orders authorizing work to be performed by SEGA to determine if purchase orders were authorized, approved and otherwise in compliance with the City's purchasing policies.
- (6) Reviewed invoices submitted by SEGA to Iowa State University to determine if the invoices appeared similar in appearance and contained comparable levels of work detail.
- (7) Obtained and reviewed certain minutes of City Council meetings and certain resolutions to determine Council actions taken regarding Electric Department projects.
- (8) Examined Comprehensive Annual Financial Reports for the City to determine the consistency of the Electric Utility's financial position.
- (9) Examined other professional service contracts administered by the Electric Department to determine if bidding and monitoring procedures were applied in a consistent manner to professional service contracts.

The procedures described above do not constitute an audit of financial statements conducted in accordance with U.S. generally accepted auditing standards. Had we performed additional procedures, or had we performed an audit of financial statements of the City of Ames, other matters might have come to our attention that would have been reported to you.

These procedures identified several concerns regarding contract management and monitoring procedures performed by the Electric Department.

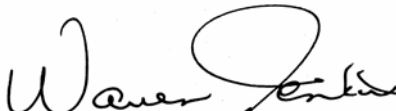
Payments made against the original purchase order established for the engineering services contract totaled \$1,748,288.21. In addition, we determined multiple purchase orders were used to authorize additional payments totaling \$86,496.08 to SEGA. Some of the payments included in the \$86,496.08 were authorized by purchase orders established for less than the \$25,000.00 threshold required for City Council approval.

We also identified \$151,700.00 of services and equipment authorized by contract change orders to the professional service contract which were not provided in entirety to the City. The findings are explained in greater detail in the detailed findings section of the report.

Copies of this report have been filed with the Story County Attorney's Office and the Attorney General's Office.

We would like to acknowledge the assistance and many courtesies extended to us by the officials and personnel of the City of Ames during the course of our review.

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 5, 2009



City of Ames Electric Department  
Investigative Summary

**Background Information**

The City of Ames operates under the Mayor-Council form of government with a City Manager. The City Council is comprised of 6 members, each elected to serve a 4 year term. The City provides numerous services to citizens, including general government, public safety, public works, health and social services, culture and recreation, and community and economic development services. The City also provides water, sewer and electric services for its citizens.

In March 2007, a representative of the State Ombudsman's office contacted the Office of Auditor of State to relay citizen concerns about certain City transactions authorized by officials of the City of Ames Electric Department. After reviewing documentation provided by the citizens and pursuant to section 11.36 of the *Code of Iowa*, we notified the City on September 20, 2007 we would be conducting certain procedures to address the concerns brought to our attention.

Some of the citizens' concerns addressed in this report are summarized as follows:

- Multiple purchase orders were used to authorize work related to a single professional service contract between the City and SEGA, an engineering services firm,
- Services and equipment outlined in the professional service contract and related change orders were not received by the City,
- Lack of detail and supporting documentation for invoices submitted to the City by SEGA, and
- Lack of documentation to show the City adequately monitored SEGA's compliance with the terms of the professional services contract.

The citizens also identified concerns which we reviewed but did not result in a finding or recommendation to the City. These concerns included, but were not limited to:

- Installation of a utility line between the Cities of Ames and Ankeny,
- Software updates to the Electric Department's SCADA (Supervisory Control and Data Acquisition) system, which allows remote access to certain systems and activities of the Electric Department,
- Concerns about the accuracy of date and time stamp recordings created by the Sequence of Event tool used to monitor and correct Power Plant system failures,
- Certain provisions of the City's contract for receipt of coal,
- Financial condition of the Electric Department, and
- Concerns about the nature of the relationship between the former Electric Department Director and certain vendors.

We discussed some of the concerns with officials of the Electric Department and concluded they were not audit related issues. Rather, the issues were the result of management decisions for which we lack the necessary expertise to form an opinion. Items falling in this category include the following:

- Utility line between the Cities of Ames and Ankeny,
- SCADA upgrades, and
- Date and time stamp recordings.

We reviewed the City's coal contract and did not identify any contract provisions which appear to be in violation of the *Code of Iowa* or City policy.

In addition, we reviewed the City's Annual Financial Reports for the years ended June 30, 2004 through June 30, 2007. For the 4 years we reviewed, net assets for the Electric Department increased from \$69,782,468 to \$80,013,432, with each year experiencing an increase. Based on our comparison, we do not believe the financial condition of the Electric Department to be a concern.

We did not find any evidence in the City's records to indicate an improper relationship of a personal nature existed between the former Electric Department Director and vendors of the Electric Department.

We performed the procedures detailed in the Auditor of State's Report for the period July 1, 2003 through January 7, 2008, or as otherwise noted.

### **Detailed Findings**

According to SEGA's website, the vendor "is an employee-owned, multidiscipline engineering and technical services firm that provides a wide range of design, planning, procurement, construction, training, and field services. These services are provided to electric utilities, universities, industrial companies, healthcare facilities, municipalities, governmental entities, and commercial facilities". SEGA headquarters are located in Stilwell, Kansas. The City has maintained an ongoing vendor relationship with SEGA since August 1998. For the period of our review, the City's payments to SEGA totaled \$1,968,973.92.

These procedures identified several concerns about contract management and monitoring procedures by staff of the Electric Department for the City's contract with SEGA.

Payments made against the original purchase order established for the engineering services contract totaled \$1,748,288.21. In addition, we determined multiple purchase orders were used to authorize payments totaling \$86,496.08 to SEGA. Some of the payments included in the \$86,496.08 were authorized by purchase orders established for less than the \$25,000.00 threshold required for City Council approval.

We also identified \$151,700.00 of services and equipment authorized by contract change orders to the professional service contract which were not provided in entirety to the City. The findings are explained further in the detailed findings section of the report. A detailed explanation of each finding follows.

**PROFESSIONAL SERVICE CONTRACT WITH SEGA** – On October 14, 2003, the City of Ames entered into a professional service contract with SEGA for engineering services, hereafter referred to as the Combustion Turbine Generator (CTG) project. According to the project description in the agreement, SEGA was to "furnish and deliver a packaged combustion turbine generator with technical direction for field erection." The agreement also included a provision for additional services related to a control system upgrade for the City's existing combustion turbine generator.

From October 2003 through November 2006, SEGA provided professional engineering services to the City for the CTG project. **Table 1** summarizes the budget of the not-to-exceed contract award to SEGA. Excerpts from the contract and related change orders for the CTG project are included in **Appendix 1**.

**Table 1**

<b>Description</b>	<b>Original Contract</b>	<b>Change Order 1</b>	<b>Change Order 2</b>	<b>Change Order 3</b>	<b>Total</b>
Planning	\$ 100,000	-	-	-	100,000
Permitting Services	50,000	-	-	-	50,000
Engineering Services	575,000	-	280,309	200	855,509
Existing Generator Control Upgrade Engineering and Field Services	100,000	-	151,700	-	251,700
On-Site Resident Services	450,000	-	-	-	450,000
Furnish Equipment for CTG Balance of Plant Control System	-	41,162	-	-	41,162
Total	\$1,275,000	41,162	432,009	200	1,748,371

As illustrated by the **Table**, the contract was initially awarded for \$1,275,000.00. In addition to the original award, SEGA was granted 3 change orders which cumulatively increased the value of the contract by \$473,371.00 to \$1,748,371.00. Payments to SEGA authorized under the purchase order established for the CTG project totaled \$1,748,288.21. All payments to SEGA for the period of our investigation are included in **Exhibit A**.

According to City officials, SEGA also performed various other engineering services for the Electric Department in addition to the CTG Project. Payments to SEGA authorized by other purchase orders totaled \$220,685.71. However, based on the purchase order descriptions, some of the payments authorized with other purchase orders were for work related to the CTG project, which is discussed in a subsequent section of our report.

The City also paid SEGA \$76,353.38 for services from August 1998 through June 30, 2003. We have not performed any procedures for payments to SEGA prior to July 1, 2003.

**RFP and award of contract** – The City's purchasing policies require written proposals be submitted for professional service contracts which exceed \$50,000, unless the City Council elects to waive the requirement. In accordance with section 384.95 of the *Code of Iowa*, sealed bids are required for public improvements estimated to cost more than \$100,000. Architectural or engineering design services are specifically excluded.

Officials of the Electric Department prepared a request for proposal dated July 24, 2003 for the CTG project. The RFP stated responses must be received by August 22, 2003. The City Council approved a resolution on October 14, 2003 to award the contract to SEGA. The resolution stated 6 qualified responses were received, but it did not specify the names of the vendors or amounts proposed. In addition, the Council minutes did not specify the names of the vendors. The proposals were submitted to and evaluated by staff of the Electric Department, who subsequently recommended SEGA as the best qualified firm.

We requested to examine each of the proposals submitted to the City for the CTG project. Officials of the Electric Department provided us with several boxes of records and indicated all documents pertinent to the project were included in the boxes. We observed the project proposal

submitted by SEGA in the records. However, we did not identify complete written proposals for the CTG project from any of the other 5 vendors referred to in the Council resolution. In addition, we did not find evidence to document the process used to evaluate, compare and rank each of the 6 responses. We asked officials of the City if appropriate documentation to support the proposals received could be located elsewhere within the City. However, City Officials were not able to provide us with the competitive proposal documents. According to the City's record retention policy, rejected bids should be retained by the City for 5 years.

However, we identified a fax cover sheet dated September 15, 2003 attached to selected copied pages of the CTG project proposals received from Stanley Consultants and Utility Engineering. The selected pages detailed work plans but did not include any dollar amounts. The fax cover sheet included the comment "*For your information*" and appears to have been faxed to an official of SEGA from Gary Titus, the City's former Electric Department Assistant Director. As previously stated, SEGA was awarded the CTG contract on October 14, 2003. A copy of the fax cover sheet is included in **Appendix 2**. Because proposals were not received pursuant to a sealed bidding process, the City was not prohibited by law from providing the information to SEGA.

Because we were unable to review proposals submitted by other vendors or documentation of the evaluation process for vendor selection, we are unable to determine if the contract was fairly awarded to SEGA.

**Contract monitoring** – The City's purchasing policies state "Contract administration and management is the responsibility of the using department". In accordance with the City's policy, the Electric Department was primarily responsible for monitoring SEGA's work progress and compliance with the terms of the contract.

Based on our discussions with City officials, monitoring of the CTG project was the specific responsibility of the Electric Department's former Assistant Director, Gary Titus. The former Assistant Director retired from his position with the City in April 2005. However, he continued to provide consulting services for the CTG project until July 2006. In April 2006, the purchase order for the CTG project was closed at the direction of Mr. Titus.

The former Assistant Director was responsible for ensuring compliance with terms of the contract. He also received and approved invoices, which were subsequently provided to the Finance Department for payment.

**1) Monthly Status Reports** – The City's contract with SEGA required SEGA to submit monthly project status reports. The status reports were to include the following items:

- project status summary,
- activities completed during the previous period,
- outstanding problems which could impact the schedule and require immediate resolution,
- activities to be completed during the next period, and
- notice of any key milestones requiring action, approval or decision from the City.

The specified monthly status reports were not included in the records originally provided to us by the City. We reviewed the City's record retention policy and determined the City's policy did not specifically address the length of time such records should be retained by the City.

However, the City subsequently provided us with 12 monthly status reports and examples of daily status reports archived on the City's e-mail system. The daily reports specified current work in progress, action items, personnel on site and concerns about future work.

The final monthly status report was prepared by SEGA for May 2005. The report stated the project was 99.15% complete. However, the City paid \$569,304.34 to SEGA for services rendered after June 1, 2005. The services were within the scope of the contract.

- 2) Inadequate contract management** – As previously stated, the purchase order for the CTG project was closed in April 2006 at the direction of the Electric Department's former Assistant Director. However, the City received invoices from SEGA for work completed on the CTG project after Mr. Titus completed his consulting work for the City in July 2006. Because Mr. Titus had indicated the project was complete, City officials in the Electric and Finance Departments closely examined the invoices received by SEGA after the purchase order was closed in April 2006.

According to copies of e-mail communications we obtained, officials of the City were not able to determine what services the City paid for when submitting payment for SEGA's invoices because the invoices did not provide sufficient detail about the specific work performed. A total of \$1,968,973.92 was paid to SEGA by the City during the period of our review.

The following is an excerpt of an e-mail exchanged from an employee of the Finance Department to officials of the Electric Department. The e-mail was dated January 22, 2007. A copy of the e-mail is included in **Appendix 3**.

*"Gary Seite and I were unable to determine what exactly they <SEGA> were doing and what was being billed on the engineering bills..... Again, I am unable to tell, other than the work covered period, the work for which we are being billed. Their invoices are all billings on a professional services contract with no details of what was done or worked on; just employee names and hours spent.... As I mentioned in our meeting, we need to know what they are billing us for in a format that will match our purchase orders and Council action forms. Their current billings are unable to supply this information from an accounting standpoint."*

An additional e-mail communication from an employee of the Purchasing Department to officials of the Electric Department confirmed officials were aware work billed to the City was not verified. The communication was dated February 7, 2007. A copy of the e-mail is included in **Appendix 3**.

*"... The Council Action Form was based on work I had understood to be work that had been completed and invoiced (but never properly approved by the City Council), and also work that staff had authorized but was yet to be completed (and also not properly approved by City Council)..... It was not until after City Council approval on 12/12/06 that I learned that somewhere along the line between June and December 2006 the work described in the invoices had not been verified."*

The City requested SEGA provide additional details about the scope of the services billed for invoices received after April 2006 when the original purchase order was closed. Representatives of SEGA responded that records showing more detail for engineering hours were not available, citing the City had never provided direction on the records SEGA should keep for the contract. On March 16, 2007, a representative of SEGA provided the City with a brief explanation for invoices questioned by the City. The summary was based on recollection of the project engineers and specifically stated "Recall that some of these invoices are several months old, so our recollection may not be perfect." A copy of the explanations provided by SEGA is included in **Appendix 4**.

The explanations provided by SEGA provided limited details about the activities SEGA says it was billing the City for. After receipt of the explanations from SEGA, the balances of the invoices due to SEGA were paid in full. Copies of the invoices explained by SEGA are included in **Appendix 4**.

**Multiple purchase orders** – City policy requires a purchase order be established for non-inventoried or non-capital materials and/or services which exceed \$1,000. According to discussions with City officials, a single purchase order is typically established for all payments related to a project. The purchase order is closed at project completion. In addition, contract change orders are also reflected as a corresponding increase or decrease to the purchase order. For some vendors, multiple purchase orders may exist if the vendor is providing more than 1 service to the City.

We reviewed all purchase orders and related invoices for SEGA from July 1, 2003 through January 7, 2008. As previously stated, the City paid \$1,968,973.92 to SEGA for contractual work related to the CTG project and other unrelated engineering services. Because invoices submitted by SEGA did not contain sufficient detail to determine the specific service provided, we relied on the description assigned to each purchase order to determine the items each invoice was believed to represent. According to an employee of the Finance Department, the purchase order descriptions were established by officials of the Electric Department. We also considered the purchase order number identified on SEGA's invoices to determine if the payment was applied to the specified number. **Exhibit A** lists each of the invoices submitted by SEGA and paid by the City, as well as which purchase order each invoice was applied to.

- 1) **Purchase Order 32219** – On October 22, 2003, purchase order 32219 was established to pay expenses related to the CTG project. As previously stated, the purchase order was initially established for \$1,275,000 but was increased to \$1,748,371 as a result of 3 change orders to the original contract.

Invoiced expenses totaling \$1,748,288.21 were applied against the purchase order. **Table 3** summarizes the total payments to SEGA authorized under purchase order 32219 by fiscal year.

Table 3	
Fiscal Year	Amount paid on P.O. 32219
2004	\$ 289,760.96
2005	935,177.99
2006	523,349.26
Total	\$ 1,748,288.21

The final payment applied to purchase order 32219 was issued on April 13, 2006. According to an employee of the Finance Department, the purchase order was closed shortly after the April 13 payment at the direction of the former Director of the Electric Department because the CTG project with SEGA was complete. Only \$82.99 remained unexpended on the purchase order.

- 2) **Other Purchase Orders** – As previously stated, the original purchase order for the CTG project was closed in April 2006. However, the City continued to receive invoices from SEGA for work on the CTG project because the project was not complete. According to an employee of the Finance Department, the invoices received after April 2006 were applied to new or existing purchase orders because the original purchase order (32219) for the CTG project was closed.

We examined all purchase orders and the related invoices for SEGA for the period of our investigation. We identified 6 separate purchase orders used by the City to authorize payment for invoices which appear to be related to the CTG project, based on the purchase

order descriptions. The invoices should have been applied to purchase order 32219. The 6 purchase orders are listed in **Table 4**.

**Table 4**

Purchase Order	Purchase Order Description	Purchase Order Date	Authorized Purchase Order Amount	Amount Expended
35128	Furnish engineering and technical services associated with programming BOP controls.	12/22/04	\$ 25,000.00	25,000.00
35157	Furnish equipment for CTG 2 communication cabinet. Cabinet fabricated in SEGA's shop and delivered to job site in Ames.	12/29/04	4,541.00	4,541.00
35158	Furnish engineering, documentation and fabrication services for communication cabinet and BOP control system.	12/29/04	11,000.00	11,000.00
*38668	Provide engineering services for GT2 project per engineering services contract between the City of Ames and SEGA, inc. October 2003.	09/08/06	13,900.00	13,836.85
*39059	MCC GT1 removal and installation spec. SEGA to write the MCC installation package.	11/30/06	^ 8,269.56	8,269.56
*39845	GT1 motor control center (MCC) minerals and installation contracts work and GT1 controls upgrade work.	05/09/07	23,848.67	23,848.67
Total			\$ 86,559.23	\$ 86,496.08

\* - Includes invoices which were dated prior to the date the purchase order was established.

^ - Includes a change order in the amount of \$3,269.56.

As illustrated by the **Table**, an additional \$86,496.08 was paid to SEGA for work on the CTG project. However, the payments were not applied to the purchase order established for the CTG project. Because separate purchase orders were used to authorize payment, a change order to the original contract was not approved by the City Council for the additional payments.

In addition, none of the 6 purchase orders individually exceeded the \$25,000 dollar threshold required for City Council approval. However, according to a Council Action Form dated December 12, 2006, the City Council approved additional engineering services for the GT-1 control system in the amount of \$61,640. Although the additional funds were authorized, none of the purchase orders identified in **Table 4** are consistent with the amount approved or the timing of Council authorization. In addition, much of the work originally scheduled for GT-1 was not completed, which is discussed in greater detail in a subsequent section of our report.

Of the 6 purchase orders identified in **Table 4**, 3 were established after April 2006. We identified invoices applied against the 3 purchase orders which were dated prior to the date of the purchase order, an indication the purchase order may have been used to authorize payment for prior outstanding invoices.

We also identified 14 invoices for which SEGA specifically identified purchase order 32219 as the applicable purchase order for the work performed. However, the payments were applied against other purchase orders because the original purchase order for the project

was closed. We determined payments for 5 of these invoices were split between 2 or more purchase orders. The 14 invoices are included in **Exhibit A**.

Payments for an additional 3 invoices were partially paid in September 2006 and the remaining balance was paid in May 2007, approximately 8 months later.

On April 11, 2007, an e-mail from an employee of the Finance Department to officials of the Electric Department detailed options to pay outstanding invoices from SEGA. A copy of the e-mail is included in **Appendix 3**. Excerpts from the e-mail are included below.

*... worked on the outstanding invoices that are due to SEGA ... and have arrived at how we can pay them and the paperwork required to do so. ... has corrected a requisition for a purchase order that has not been issued to more clearly reflect the services that were performed and we have applied some of the invoices to other applicable open purchase orders.*

*To complete payment of all bills, we need some help from you. Would you please send ... an email requesting a change order to PO 39059 in the amount of \$3,269.56 to complete paying for writing the specifications for bid and reviewing the bids for CN16 (MCC). This will then enable us to pay for the work that has been done and billed.*

*We then need a requisition for a purchase order to be entered to pay for some extra work done by SEGA employee...*

The remaining 3 purchase orders listed in **Table 4** were established in December 2004. We were unable to determine why the purchase orders were established to authorize payment for invoices related to the CTG project while purchase order 32219 was open. However, it appears the purchase orders were created to avoid including the payments against the original contract.

If the invoices applied to separate purchase orders had been applied to the original contract, the contract value would have been exceeded and a change order would have been required to justify the excess payments over the authorized contract amount. All payments to SEGA for the CTG project are listed in **Table 5**.

<b>Table 5</b>		
<b>Purchase Order</b>	<b>Purchase Order Date</b>	<b>Amount Expended for CTG Project</b>
32219	10/22/03	\$ 1,748,288.21
35128	12/22/04	25,000.00
35157	12/29/04	4,541.00
35158	12/29/04	11,000.00
38668	09/08/06	13,836.85
39059	11/30/06	8,269.56
39845	05/09/07	23,848.67
Total		<u>\$ 1,834,784.29</u>

As illustrated by **Table 5**, the actual costs for the CTG project paid to SEGA totaled \$1,834,784.29, which exceeded the authorized contract value of \$1,748,371.00 by \$86,496.08.



We also identified 2 additional purchase orders which specified work for GT-1 and GT-2. However, based on our discussion with officials of the Electric Department, the purchase orders do not appear to be related to the scope of the CTG project. As a result, the associated payments are not included in **Tables 4** or **5**. A total of \$10,780.37 was paid to SEGA for the 2 purchase orders.

**Change Orders** – As previously stated, SEGA was granted 3 change orders to the CTG project. **Table 6** lists the change orders.

<b>Table 6</b>					
<b>Change Order</b>	<b>Approved by Council</b>	<b>Date</b>	<b>Description on Change Order</b>	<b>Percentage Increase<sup>^</sup></b>	<b>Amount</b>
1	No	12/22/04	Furnish equipment for CTG Balance of Plant Control System	3.23 %	\$ 41,162
2	Yes	07/26/05	Extra engineering services in accordance with CO #2	33.88 %	432,009
3	No	04/05/06	Increase engineering services	0.02 %	200 *
Total				37.13 %	\$ 473,371

<sup>^</sup> -Percentage increase over original contract award of \$1,275,000.

\* - Change order not required to be approved by Council.

- 1) **Council Approval** – The City’s purchasing policies in effect at the time of the first change order required the City Council to approve all change orders exceeding the lesser of \$9,500.00 or 10% of the original contract. In addition, City policy states each subsequent change order which exceeds the threshold must also be approved by the City Council. Effective January 1, 2005, the threshold for City Council approval of change orders was increased to the lesser of \$25,000.00 or 20% of the original contract.

The first change order was not approved by the City Council, in apparent violation of the City’s purchasing policies. In addition, according to discussions we had with officials of the City’s Purchasing Department, Mr. Titus initially requested a new purchase order in the amount of \$41,162.00 to furnish equipment for the CTG project. City officials determined the amount should be included with the CTG contract and processed as a change order rather than a new purchase order. However, the contract modification failed to be processed through the standard channels of approval, including City Council approval. The first change order was subsequently disclosed to the City Council upon approval of the second change order.

Detailed justification for the first and third change orders was not provided to us. Details of the second, and largest, change order are discussed in the following paragraphs.

As previously stated, we were unable to review proposals from other vendors because they were not provided to us. As a result, we are unable to determine if certain contract options existed with other vendors which were not included in SEGA’s proposal, causing SEGA to appear to be the best-value while requiring significant subsequent contract cost modifications.

- 2) **Equipment and Services Paid for but not Received** – The second change order dated July 26, 2005 included \$151,700.00 related to the control upgrade for the City’s existing combustion turbine generator (GT-1). The increase authorized by the change order is in addition to \$100,000.00 allotted for the control upgrade in the original contract allocation. The individual components identified in the change order for the increased cost of the control upgrade are included in **Table 7**.

**Table 7**

<b>Line Number</b>	<b>Description</b>	<b>Amount</b>
7a	Communication cabinet	\$ 3,500
7b	Balance of Plant equipment	70,000
7c	Engineering, documentation and assembly	20,000
7d	Added programming	30,000
7e	HMI computer	3,200
8e	Added engineering time	25,000
Total		<u>\$ 151,700</u>

City officials provided us with a tour of the GT-1 and GT-2 site on January 8, 2008. During our tour, we determined the GT-1 controls had not yet been upgraded. In addition, the communication cabinet and the balance of plant equipment specified in change order 2 were not present during our tour. When we inquired about the GT-1 control upgrade, we were told by officials of the Electric Department it was not complete.

On August 8, 2006, the City awarded a contract totaling \$160,410.00 to HPI, LLC to provide services for the GT-1 control upgrade, a contract for which SEGA wrote the specifications. The City also allotted an additional \$130,000.00 for the estimated cost of parts, installation and additional engineering, which is not included in the cost of HPI's contract. As of December 3, 2008, payments to HPI totaled \$108,736.72. City officials anticipate HPI will complete its work on GT-1 in early 2009.

As previously stated, the original SEGA contract included \$100,000.00 for work related to the GT-1 control upgrade and change order 2 provided an additional \$151,700.00 for equipment, additional engineering and other costs. In addition, the City Council authorized an additional \$61,640.00 on December 12, 2006 for work on GT-1.

Because all funds authorized by the professional service contract and related change orders were paid to SEGA, we asked the City to explain why SEGA received payment from the City for services and equipment to upgrade GT-1 controls when the work was not completed by SEGA.

The City's response follows:

*In short, not all the items specified above were provided by SEGA. The City was billed and made payment only for equipment and services received from SEGA per terms on the contract. Specifically, for change order 2, line item 7, items 7c, 7d, and 7e were either partially or fully completed as was line item 8. For line item 7, items 7a and 7b were not received nor were they billed by SEGA or paid by the City. The balance of the payments made against the change order was for additional work provided by SEGA in support of the GT-2 installation and start-up. The payments were for work within the scope of the original contract which included work for GT-1 and GT-2.*

Upon further discussion, officials of the Electric Department and the City Manager's Office stated financial resources were shifted at the City's direction from work on GT-1 to GT-2 as a result of several technical issues with GT-2, including concerns about the operational ability of the unit in cold temperatures and humid weather. Officials were not able to provide documentation to support the shifting of resources from GT-1 to GT-2, such as a change order or other contract modification. In addition, officials commented SEGA was contracted to perform engineering services, not the actual installation of or equipment for the GT units.

As previously stated, based on our review of invoices submitted by SEGA, we are unable to determine what the City was billed for because the invoices lack the necessary details. However, change order 2 was authorized for specific work and equipment related to GT-1 which appears to not have been received by the City. The full value of the professional service contract and related change orders, \$1,748,288.21, as well as an additional \$86,496.08 applied to other purchase orders, was paid to SEGA.

Copies of the professional service contract and related change orders are included in **Appendix 1**.

- 3) **Timing** – As previously stated, we reviewed all invoices from SEGA to the City between July 1, 2003 and January 7, 2008. As part of our review, we compared the amount and timing of change orders to the remaining unexpended purchase order balance.

In June 2005, the City's payments to SEGA totaled \$1,227,938.95. At that time, the authorized value of the contract was \$1,316,162.00, leaving a remaining balance of \$88,223.05, even though the project was not near completion.

In July 2005, change order 2 was issued for \$432,009.00. There were no invoices paid by the City against this purchase order in July 2005. However, 4 invoices were paid in August 2005, the following month, which cumulatively totaled \$372,945.96. The 4 invoices were for work completed from May 1, 2005 through July 31, 2005 and could not have been paid without the additional funds provided through change order 2. As a result, it appears the change order was necessary to continue making payments to SEGA for work on the CTG project.

**Other Professional Service Contracts** – We performed a limited review of 3 additional professional service contracts awarded by the Electric Department in July and August 2004. For the contracts we reviewed, 2 of the 3 contracts were awarded through the City's RFP process. Responses were available for our review for 1 of the 2 contracts.

The 3<sup>rd</sup> contract we reviewed was a solicitation of a vendor by the Electric Department, which is in compliance with the City's purchasing policy for professional service contracts. As previously stated, the *Code of Iowa* specifically excludes architectural or design services from sealed bid requirements.

We also scanned the purchase order history and did not identify multiple purchase orders appearing to be contractually related to these vendors.

In addition, we reviewed invoices for the 3 contracts. The invoices, like SEGA's invoices, did not provide significant detail about the scope of work provided.

As discussed in our report, we identified several concerns with the City's administration of its contract with SEGA, including monitoring, fiscal management, the use of multiple purchase orders and a change order authorizing additional funds which were not used for the purposes intended. As a result of the concerns identified, we are unable to determine if the City received services proportionate to the payments made to SEGA.

We did not identify similar concerns during our review of other professional service contracts administered by the Electric Department with other vendors.

## **Recommended Control Procedures**

As part of our fieldwork, we reviewed the procedures used by the City of Ames to process financial transactions. An important aspect of internal control is to establish procedures that provide accountability for assets susceptible to loss from error and irregularities. These procedures provide the actions of one individual will act as a check of those of another and provide a level of assurance errors or irregularities will be noted within a reasonable time during the course of normal operations. Based on our findings and observations detailed below, the following recommendations are made to strengthen the City of Ames' internal controls.

- A. Paid Invoices – Invoices from SEGA and other vendors did not have sufficient detail for the City to determine what services were billed for. In January 2007, the City requested supporting details from SEGA to determine the services included in billings for invoices received after April 2006. However, SEGA's response stated written records did not exist. SEGA provided the City with a recollection of which services were provided based on what the assigned staff could recall. Even though the City did not receive sufficient documentation to support the payment, payment of the invoices was authorized and paid.

Recommendation – City officials should implement procedures to ensure payments to all vendors are supported by billings that contain sufficient detail to determine specifically which services are being paid for and to ensure the payments are in compliance with the terms of any authorizing contract. Payment should not be made without sufficient supporting documentation.

In addition, the billings should be reviewed prior to payment to ensure only appropriate or reasonable items are billed at the proper cost.

- B. Contract Change Orders – The CTG project included 3 change orders. The first change order totaling \$41,162.00 was not approved by the City Council as required by the City's purchasing policies. In addition, the change order was not supported by adequate documentation to specify in detail the components of the change order.

Recommendation – Change orders should be approved in accordance with City policy. Change orders should also be supported by adequate documentation. In addition, City officials should monitor and enforce compliance with the City's established policies.

- C. Services and Equipment Authorized by Change Order but not Received – We identified services and equipment totaling \$151,700.00 specified in a contract change order for the City's existing combustion turbine control upgrade order which were not received in entirety by the City. The full balance of the change order was paid to SEGA. Also, \$100,000.00 for engineering services related to the City's existing generator was allocated to SEGA in the original contract.

Recommendation – The City contends it did not pay for services and equipment not provided by SEGA. Rather, City officials stated SEGA provided other services related to the contract at the City's direction. However, invoices from SEGA are not detailed enough to determine what services the City was actually billed for.

In addition, the change order was authorized only for the specific services and equipment identified in the change order. If the equipment and services were not or could not be provided to the City, the modification and shifting of resources should have been supported by another change order detailing the services actually received by the City.

- D. Multiple Purchase Orders – We identified 6 purchase orders used by the City to authorize payment for invoices totaling \$86,496.08 which appear to be related to the

CTG project. The CTG project had an established purchase order which was prematurely closed.

Recommendation – Purchase orders should not be closed until the project is complete and completion has been verified. In addition, all payments related to a contract should be considered in the contract amount, with amounts exceeding the contract total authorized by change orders approved in accordance with the City's purchasing policy.

- E. Monthly Status Reports – The City's contract with SEGA required monthly status reports be submitted to the City by SEGA. The monthly status reports were not included with the records provided to us for review. However, the City subsequently provided us with 12 monthly status reports and examples of daily status reports archived on the City's e-mail system. The City's record retention policy does not address the length of time such records should be retained.

Recommendation – The City should establish a policy for retention of documents related to contractual requirements.

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Payments to SEGA  
For the period July 1, 2003 through January 7, 2008

Per Purchase Order				
P.O. Number	P.O. Description	Original P.O. Total	Change Orders to P.O.	Final P.O. Total
31885	Field services for plant DCS control system starting 9/23/03	\$ 17,000.00	(4,164.10)	12,835.90
32216	Field services for plant DCS control system starting 10/27/03	15,000.00	1,812.00	16,812.00
32219	Provide engineering services for combustine turbine generator project	1,275,000.00	473,371.00	1,748,371.00
32219	Provide engineering services for combustine turbine generator project	-	-	-
32219	Provide engineering services for combustine turbine generator project	-	-	-
32219	Provide engineering services for combustine turbine generator project	-	-	-
32219	Provide engineering services for combustine turbine generator project	-	-	-
32219	Provide engineering services for combustine turbine generator project	-	-	-
32219	Provide engineering services for combustine turbine generator project	-	-	-
32219	Provide engineering services for combustine turbine generator project	-	-	-
32219	Provide engineering services for combustine turbine generator project	-	-	-
32219	Provide engineering services for combustine turbine generator project	-	-	-
32219	Provide engineering services for combustine turbine generator project	-	-	-
32219	Provide engineering services for combustine turbine generator project	-	-	-

Per SEGA Invoice				Per Check		Per Vendor Activity Listing		
Date of Invoice	Invoice Number	P.O. Number	Invoiced Amount	Check Number	Check Date	Paid on P.O. 32219	Paid with other P.O.	Total Payments
11/26/03	4227	31885	12,835.90	200579	12/23/03	-	12,835.90	12,835.90
11/14/03	4154	31885	16,812.00	201087	01/08/04	-	16,812.00	16,812.00
11/12/03	4135	32219	19,550.25	199709	12/04/03	19,550.25	-	19,550.25
12/10/03	4319	32219	20,123.24	200335	12/18/03	20,123.24	-	20,123.24
01/14/04	4458	32219	28,829.34	202149	01/29/04	28,829.34	-	28,829.34
02/16/04	4620	32219	15,159.39	203807	03/04/04	15,159.39	-	15,159.39
03/15/04	4766	32219	34,991.04	204750	03/25/04	34,991.04	-	34,991.04
04/08/04	4837	32219	40,699.90	205773	04/15/04	40,699.90	-	40,699.90
05/12/04	4974	32219	78,224.93	207394	05/20/04	78,224.93	-	78,224.93
06/09/04	5102	32219	52,182.87	208881	06/17/04	52,182.87	-	52,182.87
07/16/04	5187	32219	55,768.09	210775	07/22/04	55,768.09	-	55,768.09
08/12/04	5361	32219	96,196.45	213215	08/26/04	96,196.45	-	96,196.45
09/09/04	5437	32219	75,187.66	214463	09/16/04	75,187.86	-	75,187.86

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Per Purchase Order				
P.O. Number	P.O. Description	Original P.O. Total	Change Orders to P.O.	Final P.O. Total
32219	Provide engineering services for combustine turbine generator project	-	-	-
32219	Provide engineering services for combustine turbine generator project	-	-	-
32219	Provide engineering services for combustine turbine generator project	-	-	-
32219	Provide engineering services for combustine turbine generator project	-	-	-
32219	Provide engineering services for combustine turbine generator project	-	-	-
32219	Provide engineering services for combustine turbine generator project	-	-	-
32219	Provide engineering services for combustine turbine generator project	-	-	-
32924	Perform engineering services to evaluate unit 7 precipitator design and insulation as proposed in letter dated 2/6/04 to Gary Titus	8,000.00	-	8,000.00
32924	Perform engineering services to evaluate unit 7 precipitator design and insulation as proposed in letter dated 2/6/04 to Gary Titus	-	-	-
33241	Field services for plant DCS control system starting 4/12/04	18,190.00	3,909.29	22,099.29
33840	Engineering services for DCS power distribution. Services for #1, #2, #3, Recommendations for #4 and #5	24,500.00	-	24,500.00
33840	Engineering services for DCS power distribution. Services for #1, #2, #3, Recommendations for #4 and #5	-	-	-



Per SEGA Invoice				Per Check		Per Vendor Activity Listing		
Date of Invoice	Invoice Number	P.O. Number	Invoiced Amount	Check Number	Check Date	Paid on P.O. 32219	Paid with other P.O.	Total Payments
09/14/05	6916	32219	30,703.29	232329	09/22/05	30,703.29	-	30,703.29
10/11/05	7055	32219	25,937.61	233656	10/20/05	25,937.61	-	25,937.61
12/20/05	7315	32219	25,798.72	236765	01/05/06	25,798.72	-	25,798.72
12/21/05	7324	32219	41,162.00	237708	01/26/06	41,162.00	-	41,162.00
01/11/06	7384	32219	2,831.25	237438	01/19/06	2,831.25	-	2,831.25
02/08/06	7466	32219	16,166.66	239082	03/02/06	16,166.66	-	16,166.66
03/21/06	7673	32219	7,803.77	241020	04/13/06	7,803.77	-	7,803.77
03/15/04	4768	32924	2,294.28	204750	03/25/04	-	2,294.28	2,294.28
04/14/04	4874	32924	5,700.00	205996	04/22/04	-	5,700.00	5,700.00
05/12/04	4982	33241	20,807.26	208881	06/17/04	-	20,653.54	20,653.54
08/06/04	5313	33840	7,587.95	213215	08/26/04	-	7,587.95	7,587.95
12/08/04	5822	33840	3,050.58	219607	01/06/05	-	3,050.58	3,050.58

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City of Ames Electric Department

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Per Purchase Order				
P.O. Number	P.O. Description	Original P.O. Total	Change Orders to P.O.	Final P.O. Total
34017	Field services for plant DCS control system. Approximated at 40 hours @ \$125 per hour plus living exp. Work to begin 8/2/04	10,000.00	-	10,000.00
34017	Field services for plant DCS control system. Approximated at 40 hours @ \$125 per hour plus living exp. Work to begin 8/2/04	-	-	-
35075	Provide engineering services to amended SPCC Plan for the Dayton Ave. Power Plant GT 1 and GT 2	12,000.00	-	12,000.00
35075	Provide engineering services to amended SPCC Plan for the Dayton Ave. Power Plant GT 1 and GT 2	-	-	-
35075	Provide engineering services to amended SPCC Plan for the Dayton Ave. Power Plant GT 1 and GT 2	-	-	-
35075	Provide engineering services to amended SPCC Plan for the Dayton Ave. Power Plant GT 1 and GT 2	-	-	-
35128	Furnish engineering and technical services associated w/ programming BOP controls	25,000.00	-	25,000.00
35157	Furnish equipment for CTG 2 communication cabinet. Cabinet fabricated in SEGA's shop and delivered to job site in Ames	4,541.00	-	4,541.00
35158	Furnish, engineering, documentation and fabrication services for communication cabinet and BOP control system	11,000.00	-	11,000.00
35751	Field services for plant DCS control system (Approximated at 40 hours @ \$125 per hour plus living expenses. Work to begin during Spring outage	10,000.00	1,685.20	11,685.20
35751	Field services for plant DCS control system (Approximated at 40 hours @ \$125 per hour plus living expenses. Work to begin during Spring outage	-	-	-
36729	Modification of the redundancy drum level. Tripping scheme for unit 7	10,700.00	-	10,700.00

Per SEGA Invoice				Per Check		Per Vendor Activity Listing		
Date of Invoice	Invoice Number	P.O. Number	Invoiced Amount	Check Number	Check Date	Paid on P.O. 32219	Paid with other P.O.	Total Payments
09/13/04	5457	34017	5,558.29	215090	09/30/04	-	5,558.29	5,558.29
11/05/04	5686	34017	4,142.79	218428	12/09/04	-	4,142.79	4,142.79
01/12/05	5977	35075	1,560.00	220604	01/27/05	-	1,560.00	1,560.00
02/10/05	6112	35075	1,195.00	221797	02/24/05	-	1,195.00	1,195.00
05/13/05	6480	35075	2,495.37	225685	05/19/05	-	2,495.37	2,495.37
08/09/05	6795	35075	2,170.00	230563	08/18/05	-	2,170.00	2,170.00
04/30/05	6427	35128	25,000.00	225685	05/19/05	-	25,000.00	25,000.00 @
04/30/05	6429	35157	4,541.00	225685	05/19/05	-	4,541.00	4,541.00 @
04/30/05	6428	35158	11,000.00	225685	05/19/05	-	11,000.00	11,000.00 @
06/21/05	6632	35751	7,103.49	227707	06/30/05	-	7,103.49	7,103.49
07/22/05	6730	35751	4,581.71	229680	08/11/05	-	4,581.71	4,581.71
11/28/05	7210	36729	2,359.33	235959	12/15/05	-	2,359.33	2,359.33

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Per Purchase Order				
P.O. Number	P.O. Description	Original P.O. Total	Change Orders to P.O.	Final P.O. Total
36729	Modification of the redundancy drum level. Tripping scheme for unit 7	-	-	-
36729	Modification of the redundancy drum level. Tripping scheme for unit 7	-	-	-
36729	Modification of the redundancy drum level. Tripping scheme for unit 7	-	-	-
36774	Provide City of Ames assistance on an as-requested basis with regard to compliance with air quality regulatory requirements.	10,000.00	-	10,000.00
36774	Provide City of Ames assistance on an as-requested basis with regard to compliance with air quality regulatory requirements.	-	-	-
37817	Field services for plant DCS control systems. Work to be done on April 12 and 13.	3,000.00	1,985.00	4,985.00
37882	Petition EPA to accept flow technology meter calibration method instead of part 75 appendix D meter calibration method for combustine turbine GT2 fuel flow meter	3,400.00	-	3,400.00
37882	Petition EPA to accept flow technology meter calibration method instead of part 75 appendix D meter calibration method for combustine turbine GT2 fuel flow meter	-	-	-
38668	Provide engineering services for GT2 project per eng svcs contract between the City of Ames and SEGA, inc. October 2003	13,900.00	-	13,900.00
38668	Provide engineering services for GT2 project per eng svcs contract between the City of Ames and SEGA, inc. October 2003	-	-	-
38668	Provide engineering services for GT2 project per eng svcs contract between the City of Ames and SEGA, inc. October 2003	-	-	-
38668	Provide engineering services for GT2 project per eng svcs contract between the City of Ames and SEGA, inc. October 2003	-	-	-

Per SEGA Invoice				Per Check		Per Vendor Activity Listing		
Date of Invoice	Invoice Number	P.O. Number	Invoiced Amount	Check Number	Check Date	Paid on P.O. 32219	Paid with other P.O.	Total Payments
02/22/06	7535	36729	2,206.50	239774	03/16/06	-	2,206.50	2,206.50
03/16/06	7652	36729	3,324.81	240335	03/30/06	-	3,324.81	3,324.81
04/18/06	7772	36729	390.00	241986	05/04/06	-	390.00	390.00
10/10/05	7039	36774	7,826.23	233656	10/20/05	-	7,826.23	7,826.23
11/09/05	7148	36774	1,680.00	234869	11/17/05	-	1,680.00	1,680.00
05/10/06	7901	37817	4,985.21	243990	06/15/06	-	4,985.21	4,985.21
05/10/06	7914	37882	280.00	243285	06/01/06	-	280.00	280.00
07/10/06	8213	37882	3,080.00	245650	07/20/06	-	3,080.00	3,080.00
04/20/06	7785	32219	1,008.75	249690	09/28/06	-	1,008.75	1,008.75 @
07/11/06	8230	32219	6,890.35	249690	09/28/06	-	6,890.35	6,890.35 @
08/08/06	8381	32219	2,624.00	249690	09/28/06	-	2,624.00	2,624.00 @
09/22/06	8595	32219	3,253.75	259834	05/17/07	-	3,253.75	3,253.75 @

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City of Ames Electric Department

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Per Purchase Order				
P.O. Number	P.O. Description	Original P.O. Total	Change Orders to P.O.	Final P.O. Total
38668	Provide engineering services for GT2 project per eng svcs contract between the City of Ames and SEGA, inc. October 2003	-	-	-
38751	Field services for plant DCS control system. Work to be done in October- with a date to be set at a later time	7,500.00	-	7,500.00
39059	MCC GT 1 removal and installation spec. SEGA to write the MCC installation package	5,000.00	3,269.56	8,269.56
39059	MCC GT 1 removal and installation spec. SEGA to write the MCC installation package	-	-	-
39714	Responses to questions on evaporative cooler blowdown, fencing around substation, demineralized water tank leak investigation and resolution with supplier	5,114.00	-	5,114.00
39845	GT1 motor control center (MCC) minerals and installation contracts work and GT1 controls upgrade work	23,848.67	-	23,848.67
39845	GT1 motor control center (MCC) minerals and installation contracts work and GT1 controls upgrade work	-	-	-
39845	GT1 motor control center (MCC) minerals and installation contracts work and GT1 controls upgrade work	-	-	-
39845	GT1 motor control center (MCC) minerals and installation contracts work and GT1 controls upgrade work	-	-	-
39845	GT1 motor control center (MCC) minerals and installation contracts work and GT1 controls upgrade work	-	-	-
39845	GT1 motor control center (MCC) minerals and installation contracts work and GT1 controls upgrade work	-	-	-
Total		\$ 1,512,693.67	481,867.95	1,994,561.62

^ - The invoice total was \$20,807.26, but payment on the invoice was \$20,653.54.

@ - Payments totaling \$86,496.08 were invoices for the CTG Project but were applied to other purchase orders.

Per SEGA Invoice				Per Check		Per Vendor Activity Listing		
Date of Invoice	Invoice Number	P.O. Number	Invoiced Amount	Check Number	Check Date	Paid on P.O. 32219	Paid with other P.O.	Total Payments
10/24/06	8773	32219	60.00	259834	05/17/07	-	60.00	60.00 @
12/21/06	9063	38751	5,202.65	254146	01/11/07	-	5,202.65	5,202.65
12/22/06	9086	32219	6,829.56	259834	05/17/07	-	6,829.56	6,829.56 @
03/21/07	9540	39059	1,440.00	257473	03/29/07	-	1,440.00	1,440.00 @
07/11/06	8230	32219	5,114.00	259834	05/17/07	-	5,114.00	5,114.00
04/20/06	7785	32219	4,330.00	259834	05/17/07	-	4,330.00	4,330.00 @
07/11/06	8230	32219	1,320.00	259834	05/17/07	-	1,320.00	1,320.00 @
08/08/06	8381	32219	6,864.77	259834	05/17/07	-	6,864.77	6,864.77 @
09/22/06	8595	32219	680.00	259834	05/17/07	-	680.00	680.00 @
10/24/06	8773	32219	3,521.25	259834	05/17/07	-	3,521.25	3,521.25 @
11/15/06	8866	32219	7,132.65	259834	05/17/07	-	7,132.65	7,132.65 @
			<u>1,969,127.44</u>			<u>1,748,288.21</u>	<u>220,685.71</u>	<u>1,968,973.92</u>

**Report on Special Investigation of the  
City of Ames Electric Department**



Report on Special Investigation of the  
City of Ames Electric Department

Staff

This special investigation was performed by:

Annette K. Campbell, CPA, Director  
Corinne M. Johnson, CPA, Senior Auditor II  
Tina R. Stuart, Senior Auditor

A handwritten signature in cursive script that reads "Tamera S. Kusian".

Tamera S. Kusian, CPA  
Deputy Auditor of State

**Report on Special Investigation of the  
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## **Appendices**

Report on Special Investigation of the  
City of Ames Electric Department

Excerpts from CTG Contract with SEGA,  
Change Orders and Related Documents

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**ATTACHMENT "B"**

**SCOPE OF SERVICES**

**SECTION 1 - GENERAL**

- A. Project Status Reports: The Engineer shall submit monthly project status reports to the Owner. The reports shall include the following information:
1. Project status summary, including schedule and probable cost.
  2. Activities completed during the previous period.
  3. Any outstanding problems which impact schedule and require immediate resolution.
  4. Activities to be completed during the next report period.
  5. Notice of any key milestones requiring action, approval, or decisions from the Owner.

**SECTION 2 - POWER SUPPLY EVALUATION AND PLANNING SERVICES**

A. Schematic Design Phase:

1. The City's power supply needs and manufacturer's standard CTG packages will be analyzed and evaluated. The most cost effective CTG size category will be determined and recommended to the City. Electric load data, environmental compliance, fuel supply, reliability, capital costs, and operation and maintenance expenses will be considered in this analysis. The results and recommendations of this analysis will be presented to the City in a working meeting for open discussion. Once there is mutual agreement on the CTG size and fuel source for the project preliminary design documents will be prepared.

The primary documents for communicating and coordinating project schematic design are:

- Schedules
- Area Plans
- Equipment Arrangements
- Piping and Instrument Diagrams
- Electrical One-line Diagrams
- Contract List/Scope
- System Descriptions/Diagrams
- Probable Cost

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2. Set up presentations by potential CTG suppliers to the Owner and Engineer to establish standard design features, unit sizes, experience, performance, and delivery schedules that can be offered.
3. On the basis of the specific scope, extent, character or design requirements of the most cost effective unit size and fuel source(s) for the Project agreed upon by the Owner and Engineer, prepare preliminary design documents consisting of schedule, probable cost, final design criteria, preliminary drawings, procurement plan, administrative procedures, and written descriptions of the Project.

**SECTION 3 - PERMITTING SERVICES**

**A. Environmental Permitting:**

1. The air quality permit application for the proposed CTG and one other emission source (allowing for a liquid-fuel tank or a fuel gas heater) will be prepared using current IDNR forms and procedures. Relevant information about the existing equipment at the site will be obtained from the City for use in developing the permit application. A site plan incorporating both the existing equipment and the proposed project will be developed to support the air permit application.

A dispersion modeling analysis will be performed for NO<sub>x</sub>, SO<sub>2</sub>, CO, and PM as part of the air permit application process. Our approach assumes that only a National Ambient Air Quality Standard (NAAQS) demonstration will be required, and that permitting under Prevention of Significant Deterioration (PSD) will not be necessary for this simple-cycle CTG peaking installation. If PSD permitting requirements are triggered, substantially more modeling and permitting application work would be required. In the event that PSD regulations impact permitting for this project, Segal would submit a new proposal for permitting before proceeding.

We will assist the City with submission of the air permit application and will respond to questions from IDNR. We anticipate that this process will require one or more meetings at IDNR.

2. Prepare construction permit application(s) for submittal to the Iowa Department of Natural Resources.

**B. Utilities Board Certificate:**

1. Prepare application for a certificate as required by the State of Iowa, Department of Commerce, Utilities Board in RE: Generating Plant Siting Docket No. RMU-01-07.

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**SECTION 4 - ENGINEERING SERVICES**

A. Detailed Design Phase:

1. Prepare final drawings and specification showing scope, extent, and character of the Work to be performed and furnished by Contractors and equipment suppliers.
2. Prepare for review and approval by the Owner, bid documents including contract agreement forms, general conditions and supplementary conditions, bid forms, invitations to bid and instructions to bidders, bid data sheets, evaluation criteria, and other related documents.
3. Furnish the above documents, drawings, and specifications to and review them with the Owner.
4. Furnish as-built drawings when the project is complete.

B. Bidding and Procurement:

1. Assist the Owner in advertising for and obtaining bids for construction, materials, equipment, and services and, where applicable, maintain a record of prospective bidders to whom bidding documents have been issued, attend pre-bid conferences, if any, and receive and process deposits for bidding documents (if required).
2. Issue addenda as appropriate to clarify, correct or change the bidding documents.
3. Consult with Owner as to the acceptability of subcontractors, suppliers, and other persons and entities proposed by Contractor for those portions of the Work such acceptability is required by the bidding documents.
4. Attend the bid openings, prepare bid tabulation sheets, and assist the Owner in evaluating bids or proposals and in assembling and awarding contracts for construction, materials, equipment, and services.

C. Construction Phase:

1. Visits to Site and Observation of Construction: The Engineer shall make visits to the site at intervals appropriate to the various stages of construction as Engineer deems necessary in order to observe as an experienced and qualified design professional the progress and quality of the various aspects of Contractor's Work. Such visits and observations by Engineer are not intended to be exhaustive or to extend to every aspect of the Work in progress, or to involve detailed inspections of the Work beyond the responsibilities specifically assigned to the Engineer in this agreement and the contract documents. Based on information obtained during such visits and such observations, the Engineer shall endeavor to determine in general if such Work is proceeding in accordance with the contract documents and the Engineer shall keep the Owner informed of the progress of the Work.
2. Clarifications and Interpretations; Field Orders: The Engineer shall issue necessary clarifications and interpretations of the contract documents as appropriate to the orderly completion of the Work. Such clarifications and interpretation will be consistent

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with the intent of and reasonably inferable from the contract documents. The Engineer may issue field orders authorizing minor variations from the requirements of the contract documents.

3. Change Orders and Work Change Directives: The Engineer shall recommend change orders and Work change directives to the Owner as appropriate, and shall prepare change orders and Work change directives as required.
4. Compliance Submittals: The Engineer shall review and comment on compliance submittals and samples and other data which Contractor is required to submit. Such reviews will not relieve Contractor of his contractual obligation.
5. Substitutes: The Engineer shall evaluate and determine the acceptability of substitute or "or-equal" materials and equipment proposed by Contractor.
6. Applications for Payment: Based on the Engineer's observations and on review of applications for payment and the accompanying data and schedules, the Engineer shall determine the amounts that the Engineer recommends Contractor be paid. Such recommendations of payment will be in writing and will constitute the Engineer's representation to the Owner, based on such observations and review that, to the best of the Engineer's knowledge, information, and belief, the Work has progressed to the point indicated, the quality of such Work is generally in accordance with the contract documents.
7. Contractor's Completion Documents: The Engineer shall receive, review, and transmit to the Owner with written comments maintenance and operating instructions, schedules, guarantees, bonds, certificates or other evidence of insurance required by the contract documents, certificates of inspection, tests and approvals, and marked-up record documents (including compliance submittals, samples and other data) which are to be assembled by Contractor in accordance with the contract documents to obtain final payment.
8. Substantial Completion: Following notice from Contractor that Contractor considers the entire Work ready for its intended use, the Engineer and the Owner, accompanied by Contractor, shall conduct an inspection to determine if the Work is substantially complete.
9. Final Notice of Acceptability of the Work: The Engineer shall conduct a final inspection to determine if the completed Work of Contractor is acceptable so that the Engineer may recommend, in writing, final payment to Contractor.
10. Conforming to Construction Records: The Engineer shall prepare record drawings showing record information on documents which the Engineer prepared based on the drawings and other record documents furnished by Contractor to the Engineer which were annotated by Contractor to show all changes made during construction. The Engineer will not be responsible for any errors in or omissions in the information provided by Contractor that is incorporated in the record drawings or other record documents.
11. Testing: Performance tests of the completed CTG unit will be conducted by the City's staff as managed, directed, and coordinated by the Engineer with support of the CTG



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field service technicians and the installing contractor(s). The Engineer will prepare a detailed performance test protocol in accordance with ASME Performance Test Codes, oversee the test, and data collection, determine compliance with equipment performance guarantees, and provide a report of test results to the City.

**SECTION 5 - ON-SITE RESIDENT SERVICES**

- A. The Engineer shall furnish a Resident Project Representative ("RPR"), assistants and other field staff to observe the progress and quality of the Work, for the entire duration of the on-site activities.
- B. Duties and Responsibilities of RPR:
  - 1. Schedules: Review the progress schedule, schedule of shop drawing submittals, and schedule of values prepared by Contractors.
  - 2. Conferences and Meetings: Attend meetings with Contractors, such as initial conferences, progress meetings, job conferences, and other Project-related meetings, and prepare and circulate copies of minutes thereof.
  - 3. Liaison:
    - a. Serve as the Owner's liaison with contractors, working principally through Contractor's superintendent and assist Contractor in understanding the intent of contract documents.
    - b. Assist in obtaining from the Owner additional details or information, when required for proper execution of the construction.
  - 4. Review of Construction:
    - a. Conduct on-site observations of the Work in progress to determine if the Work is in general proceeding in accordance with the contract documents.
    - b. Report to the Owner whenever RPR believes that any of the contractors' Work will not produce a completed Project that conforms generally to the contract documents or will prejudice the integrity of the design concept of the completed Project as a functioning whole as indicated in the contract documents, or has been damaged, or does not meet the requirements of any inspection, test, or approval required to be made; and advise the Owner of Work that RPR believes should be corrected or rejected or should be uncovered for observation, or requires special testing, inspection, or approval.
    - c. Accompany visiting inspectors representing public or other agencies having jurisdiction over the Project, record the results of these inspections, and report to the Owner.
  - 5. Interpretation of Contract Documents: Issue clarifications and interpretations of the contract documents as needed to Contractor.

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6. Modifications: Consider and evaluate Contractor's suggestions for modifications in drawings or specifications. Transmit decisions to Contractor in writing.
7. Records:
  - a. Maintain at the job site orderly files for correspondence, reports of job conferences, compliance submittals and samples, reproductions of original contract documents including all Work change directives, addenda, change orders, field orders, drawings issued subsequent to the execution of the Contract, clarifications and interpretations of the contract documents, progress reports, shop drawing submittals received from and delivered to Contractor, and other Project related documents.
  - b. Prepare a daily report or keep a diary or log book of weather conditions, data relative to questions of Work change directives, change orders, or changed conditions, list of job site visitors, daily activities, decisions, observations in general, and specific observations in more detail as in the case of observing test procedures.
  - c. Provide a pictorial history of the Project construction status.
8. Reports:
  - a. Furnish to the Owner periodic reports documenting progress of the Work as required by the Owner's Project Manager.
  - b. Consult with the Owner in advance of scheduled major tests, inspections, or startup of important phases of the Work.
  - c. Draft proposed change orders and Work change directives, obtaining backup material from Contractor, and recommend the Owner change orders, Work change directives, and field orders.
  - d. Report immediately to the Owner the occurrence of any accidents on or adjacent to the site.
9. Payment Requests: Review applications for payment with Contractor for compliance with the established procedure for their submission and forward with recommendations to the Owner, noting particularly the relationship of the payment requested to the schedule of values, Work completed, and materials and equipment delivered at the site but not incorporated in the Work.
10. Certificates, Maintenance, and Operation Manuals: During the course of the Work, verify that certificates, maintenance and operation manuals, and other data required to be assembled and furnished by Contractor(s) are applicable to the items actually installed and in accordance with the contract documents, and have this material delivered to the Owner for review and forward to the Owner prior to final payment for the Work.
11. Startup: The Engineer will prepare a startup and commissioning manual approximately two (2) months prior to scheduled commencement of checkout activities. The manual

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will coordinate start-up procedures provided by the major system and equipment suppliers; e.g., the combustion turbine generator, and provide coordinated start-up and commissioning procedures for the balance-of-plant equipment and systems, and for the unit as a whole. The Engineer will manage the unit checkout, startup, and commissioning process, and will schedule and coordinate checkout and startup activities by Suppliers, contractors, and the Owner. The Owner will provide qualified unit operators as required for startup and commissioning.

12. Training: The Engineer will coordinate training for the Owner's staff, by suppliers and Contractors, to operate and maintain the Project. The Engineer will provide balance-of-plant operation training. Training will be a combination of classroom and "hands-on" instruction.
13. The Engineer will prepare and assemble a complete set of unit operating procedures in conjunction with Owner's operating staff.
14. Completion:
  - a. Submit to Contractor a list of observed items requiring completion or correction.
  - b. Participate in a final inspection in the company of the Owner and Contractor and prepare a final list of items to be completed or corrected.
  - c. Observe whether all items on final list have been completed or corrected and make recommendations to the Owner concerning acceptance and issuance of the notice of acceptability of the Work.
- C. Extent of Services: The amount of on-site resident services required during construction and startup can vary widely. Therefore, the not-to-exceed price is based on providing the following services:
  1. Full-time RPR for nine (9) months. (Average 45 hours/week).
  2. Discipline specialists for four (4) months.
  3. Secretary/Clerk for nine (9) months.
  4. Field office trailer and office equipment for nine (9) months.
  5. Startup support for two (2) months (average 50 hours/week).
  6. Startup assistance for one (1) month (average 50 hours/week).

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**SECTION 6 - ADDITIONAL SERVICES OF ENGINEER**

- A. If authorized in writing by the Owner, the Engineer shall furnish or obtain from others additional services of the types listed below. These services are not included as part of the scope of consultant services.
1. Assistance in connection with bid protests or rebidding for construction, materials, equipment, or services.
  2. Providing field surveys for design purposes and any type of property surveys or related engineering services needed for the transfer of interests in real property.
  3. Providing geotechnical subsurface investigations and reports.
- B. Engineer will provide control system upgrade services for the existing combustion turbine generator unit. The scope of these services are:
- a. Review existing control system, field devices, and communications.
  - b. Evaluate options for controls upgrade.
  - c. Define controls upgrade project scope, system requirements, and budget.
  - d. Specify control system, HMI, communications, and field devices for customer purchase.
  - e. Assist with bid review/procurement process.
  - f. Define I/O requirements and review vendor I/O database.
  - g. Review system shop drawings.
  - h. Provide cable schedule and routing from new system to field devices.
  - i. Demolition and installation specifications.
  - j. Attend system factory acceptance test.
  - j. Field installation review and check out support (allowance of twenty (20) days).

It is assumed that the existing station electrical system and switchgear will be adequate for this control system upgrade.

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**SECTION 7 - ADDITIONAL OWNER'S RESPONSIBILITIES**

- A. The Owner shall do the following in a timely manner so as not to delay the services of the Engineer and shall bear all costs incident thereto:
1. Geotechnical study and subsurface information including explorations and tests of subsurface conditions at or contiguous to the site, drawings of physical conditions in or relating to existing surface or subsurface structures at or contiguous to the site, or hydrographic surveys.
  2. The services of an independent testing laboratory to perform all inspections and tests of materials during construction.
  3. Field surveys showing boundary, easement, right-of-way, topographic, and utility surveys or data, including relevant reference points.
  4. Environmental emission testing to determine compliance with contract emission guarantees and permit requirements.

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**ATTACHMENT "C"**

**COMPENSATION**

The Engineer agrees to perform the services described in each category below for the not-to-exceed amount indicated. Any increase in professional services rates after July 1, 2004 shall be limited to a maximum of 5 percent per classification and shall not increase the not-to-exceed amount of this contract.

	<u>Sections</u>	<u>Estimated Hours</u>	<u>Prices</u>
1.	General	0	\$0
2.	Planning	1,000	\$100,000
3.	Permitting Services	500	\$ 50,000
4.	Engineering Services	6,900	\$575,000
4a	CTG No. 1 Controls Upgrade		
	Engineering and Field Services	900	\$100,000
5.	On-site Resident Services	4,500	\$450,000
	Total Estimated Hours	13,800	
	Total Not-to-exceed Price		\$1,275,000

On-site Resident Services include a full-time RPR on the project site for nine (9) months. Project engineering discipline specialists will be provided at the site as required for a total of four (4) months. The RPR will be assisted by a secretary/clerk in a fully equipped field office trailer at the site for nine (9) months. On-site services also include startup and commissioning oversight and management labor, and field services associated with the CTG No. 1 controls upgrade.

Additional engineering services can be provided at the request of the City based upon the Rate Schedule for Professional Services which follows.

The NTE fee may need to be increased if field services beyond the above are required for reasons beyond Segas control. Any increase in fee requires prior approval from the City.

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ATTACHMENT D

**RATE SCHEDULE FOR  
PROFESSIONAL SERVICES**

EFFECTIVE THROUGH JULY 1, 2004

**ARCHITECTURAL AND ENGINEERING SERVICES**

Corporate Officer, Senior Application Specialist .....	\$ 150.00/hr.
Project Manager, Project Engineer .....	\$ 120.00/hr.
Senior Specialist, Senior Engineer, Senior Architect .....	\$ 110.00/hr.
Specialist, Staff Engineer .....	\$ 100.00/hr.
Engineer, Architect .....	\$ 90.00/hr.
Assistant Engineer, Application Specialist .....	\$ 80.00/hr.

**TECHNICAL AND SUPPORT SERVICES**

Senior Engineering Assistant .....	\$ 85.00/hr.
Engineering Assistant, Computer Specialist .....	\$ 75.00/hr.
Senior Drafting Technician .....	\$ 65.00/hr.
Drafting Technician .....	\$ 55.00/hr.
Engineering Secretary .....	\$ 45.00/hr.
Technical Documentation .....	\$ 35.00/hr.
Clerk/Typist .....	\$ 25.00/hr.
Other services available .....	Negotiated

**FIELD SERVICES**

Senior Specialist/Engineer .....	\$ 120.00/hr.
Specialist/Engineer .....	\$ 100.00/hr.
Installation Review Technician .....	\$ 90.00/hr.
System Technician .....	\$ 85.00/hr.
Instrumentation Calibration Technician .....	\$ 70.00/hr.
Site Secretary/Clerk .....	\$ 45.00/hr.
Field Service Expenses on a Per Diem Basis .....	\$ 110.00/day

**PROJECT-RELATED EXPENSES**

1. Costs for approved outside special consultants are billed at actual cost plus 10 percent.
2. Travel and living expenses are billed at actual cost plus 10 percent, except for personal automobile mileage that is billed according to the IRS guideline.
3. Reproduction costs such as printing, blueprints, and binding are billed at commercial rates.
4. Postage and long distance phone calls are billed at cost.
5. Computer use for CAD and engineering applications is billed at \$10.00/hr. of use.

030618  
BS025 CityofAmes

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ITEM # 14  
DATE: October 14, 2003

**COUNCIL ACTION FORM**

**SUBJECT:** ELECTRIC SERVICES  
COMBUSTION TURBINE GENERATOR PROJECT

**BACKGROUND:**

This year's budget includes a CIP project to install a 20MW Combustion Turbine Generator at the existing combustion turbine site located at Dayton Avenue and Pullman Street. This is a 2-year project and will be done as follows:

FY 2003/04	Engineering and Permitting	\$ 2,794,000
FY 2004/05	Construction	<u>\$13,970,000</u>
Total		\$16,764,000

As the electric demand grows for the Ames system, it will be necessary to acquire additional generating capacity. Capacity has been purchased from Muscatine Power and Water (MP&W) until May 1, 2005.

Electric load flow studies that were done for accreditation of the capacity purchase from MP&W showed that there is not adequate transmission capacity in the Mid-American Energy Co. (MEC) system to support the Ames load during peak periods if Unit 8 is forced off-line. The addition of a 20MW combustion turbine generator in 2005 will provide the needed reliability to support the Ames area load and also permit outside capacity purchases as needed beyond year 2005 to meet load growth. The need for this additional capacity was demonstrated during the summer of 2001, when during a high load period, Ames was required to open its transmission line with MEC to relieve line overloading after Unit 8 was forced off-line.

Staff issued a Request for Proposal for Engineering Services in August. Six qualified engineering firms submitted proposals. Staff evaluated the proposals and selected Segal, Inc. as the best-qualified firm. An Engineering Services Contract with Segal, Inc. has been prepared for Council approval.

**ALTERNATIVES:**

1. Approve an Engineering Services Contract with Segal, Inc. for the Combustion Turbine Generator Project in the amount of \$1,275,000.
2. Delay the project.
3. Delete the project.



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**MANAGER'S RECOMMENDED ACTION:**

It is the recommendation of the City Manager that the City Council adopt alternative #1, approving an Engineering Services Contract with Segal, Inc. for the Combustion Turbine Generator Project in the amount of \$1,275,000.

**COUNCIL ACTION:**

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RESOLUTION NO. 03-395

RESOLUTION APPROVING ENGINEERING SERVICES AGREEMENT  
WITH SEGA, INC., FOR COMBUSTION TURBINE GENERATOR PROJECT  
FOR THE CITY OF AMES

WHEREAS, as the electric demand grows for the Ames system, it will be necessary to acquire additional generating capacity; and,

WHEREAS, capacity has been purchased from Muscatine Power and Water (MP & W) until May 1, 2005; and,

WHEREAS, electric load flow studies that were done for accreditation of the capacity purchase from MP & W showed that there is not adequate transmission capacity in the Mid-American Energy Co. (MEC) system to support the Ames load during peak periods if Unit 8 is forced off-line; and,

WHEREAS, the addition of a 20 MW combustion turbine generator in 2005 will provide the needed reliability to support the Ames area load and also permit outside capacity purchases as needed beyond year 2005 to meet load growth; and,


WHEREAS, staff issued a Request for Proposal for Engineering Services in August, and six qualified engineering firms submitted proposals; and,

WHEREAS, staff evaluated the proposals and selected Segal, Inc., as the best qualified firm.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Ames, Iowa, that the Engineering Services Contract with Segal, Inc., for the Combustion Turbine Generator Project in the amount of \$1,275,000 is hereby approved.

ADOPTED THIS 14<sup>th</sup> day of October, 2003.

  
Diane R. Voss, City Clerk

  
Ted Tedesco, Mayor

Introduced by:	Hoffman
Seconded by:	Vegge
Voting aye:	Goodhue, Hoffman, Mahayni, Vegge, Wirth
Voting nay:	None                      Absent:                      Cross

Resolution declared adopted and signed by the Mayor this 14<sup>th</sup> day of October, 2003.

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B.T.S.  
K.U.N.  
C.P.R.  
J.W.B.  
Electric Services

Electric Administration Division  
502 Carroll Ave., P. O. Box 811  
Ames, Iowa 50010-0811  
Phone: 515-239-5176  
Fax: 515-239-5308

September 10, 2003

John W. Brown, Jr.  
Sega Inc.  
16041 Foster  
P.O. Box 1000  
Stilwell, Kansas 66085-1000

Re: Engineer Services  
Combustion Turbine Generator  
Sega Proposal No. 258Q-3189

Dear John:

This is to confirm our telephone conversation today informing you that we have selected Sega, Inc. as the best qualified firm to furnish Engineering Services for our Combustion Turbine Generator Project.

I am looking forward to meeting with you to work out a final Scope of Services and an Engineering Services Agreement.

Sega has furnished excellent services to the City in the past and we are confident that you will do so on this project.

Sincerely,

A handwritten signature in cursive script, appearing to read "Gary Titus".

Gary Titus  
Assistant Director

GT:pac

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**Finance Department/Purchasing Division**

515 Clark, P.O. Box 811, Ames, IA 50010  
Ph: 515-239-5125 Fax: 515-239-5325



TO:

SEGA  
ATTN: BRUCE SCHALLER  
PO BOX 1000  
STILWELL, KS 66085-1000

SHIP TO:

CITY OF AMES  
ELECTRIC ADMINISTRATION  
502 CARROLL AVE  
AMES, IA 50010

**PURCHASE ORDER**

No. 032219

PAGE 1

THIS NUMBER MUST APPEAR ON  
ALL PACKAGES, SHIPPING PAPERS,  
INVOICES, AND CORRESPONDENCE  
RELATING TO THIS ORDER.

VENDOR #	DATE	DELIVER BY	CONTRACT #	PURCHASING CONTACT	REQUISITION #
4453	10/22/03	05/30/05		MICHAEL SIBERT	
TAX ID NUMBER	ACCOUNT NUMBER	PROJECT	REQUISITIONED BY		
SEE BELOW					

LINE #	QUANTITY	UOM	DESCRIPTION	UNIT COST	EXTENDED
2	41162.00	DL	<p>***** * CHANGE ORDER * *****</p> <p>FURNISH EQUIPMENT FOR CTG BALANCE OF PLANT CONTROL SYSTEM. ***** EQUIPMENT TO BE FABRICATED IN SEG'S SHOP AND DELIVERED TO THE JOB SITE ***** CITY TO PAY SALES TAX DIRECTLY ***** ATTN: BRUCE SCHALLER</p> <p>SUB-TOTAL 41162.00 TOTAL 41162.00</p> <p>REMARKS: * CHANGE ORDER NO. 1: TO ADD ITEM 2 PER REQUEST BY GARY TITUS 12/21/04, APPROVED BY S. LUNDT FOR ADDITION TO EXISTING CONTRACT ON 12/22/04.</p>		

INVOICE PROCEDURE	AUTHORIZED SIGNATURE	DATE
<p>SUBMIT INVOICES IN DUPLICATE TO: CITY OF AMES FINANCE DEPT. - ACCOUNTS PAYABLE P.O. BOX 811 AMES, IA 50010-0811</p>	<p><i>[Signature]</i> AUTHORIZED SIGNATURE</p>	<p>12/27/04 DATE</p>

DEPARTMENT COPY - Purchasing Copy

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**Finance Department/Purchasing Division**

515 Clark, P.O. Box 811, Ames, IA 50010  
Ph: 515-239-5125 Fax: 515-239-5325

**PURCHASE ORDER**

No. 032219

PAGE 2

THIS NUMBER MUST APPEAR ON  
ALL PACKAGES, SHIPPING PAPERS,  
INVOICES, AND CORRESPONDENCE  
RELATING TO THIS ORDER.

TO:

SEGA  
ATTN: BRUCE SCHALLER  
PO BOX 1000  
STILWELL, KS 66085-1000

SHIP TO:

CITY OF AMES  
ELECTRIC ADMINISTRATI  
502 CARROLL AVE  
AMES, IA 50010

VENDOR #	DATE	DELIVER BY	CONTRACT #	PURCHASING CONTRACT		REQUISITION #
4453	10/22/03	05/30/05				
TAX ID NUMBER		ACCOUNT NUMBER		PROJECT	REQUISITIONED BY	
LINE #	QUANTITY	UOM	DESCRIPTION		UNIT COST	EXTENDED
			***** * * CHANGE ORDER * * *****			
***** * ACCOUNTING INFORMATION ONLY - DO NOT SEND THIS PAGE TO THE VENDOR * *****						
	REQ/ACCT	DATE	REQ. BY	PROJECT	AMOUNT	
	0000032605	12/21/04	GARY TITUS *HOLD SHEILA*		41162.00	
	53048664897514					
<b>INVOICE PROCEDURE</b> SUBMIT INVOICES IN DUPLICATE TO: CITY OF AMES FINANCE DEPT. - ACCOUNTS PAYABLE P.O. BOX 811 AMES, IA 50010-0811						
				AUTHORIZED SIGNATURE: <i>[Signature]</i>		12/22/04 DATE

DEPARTMENT COPY *Purchasing Copy*

Report on Special Investigation of the  
City of Ames Electric Department

Excerpts from CTG Contract with SEGA,  
Change Orders and Related Documents



**Finance Department/Purchasing Division**

515 Clark, P.O. Box 811, Ames, IA 50010  
Ph: 515-239-5125 Fax: 515-239-5325

**PURCHASE ORDER**

No. 032219

PAGE 1

THIS NUMBER MUST APPEAR ON  
ALL PACKAGES, SHIPPING PAPERS,  
INVOICES, AND CORRESPONDENCE  
RELATING TO THIS ORDER.

TO:

SEGA INC  
ATTN: BRUCE SCHALLER  
PO BOX 1000  
STILWELL, KS 66085-1000

SHIP TO:

CITY OF AMES  
ELECTRIC ADMINISTRATI  
502 CARROLL AVE  
AMES, IA 50010

VENDOR #	DATE	DELIVER BY	CONTRACT #	PURCHASING CONTACT	REQUISITION #
4453	10/22/03	05/30/05		MICHAEL SIBERT	
TAX ID NUMBER	ACCOUNT NUMBER	PROJECT	REQUISITIONED BY		
	SEE BELOW				
LINE #	QUANTITY	UOM	DESCRIPTION	UNIT COST	EXTENDED
3	432009.00	DDL	***** * CHANGE ORDER * ***** EXTRA ENGINEERING SERVICES IN ACCORDANCE WITH CHANGE ORDER NO. 2.	1.0000	432009.00
				SUB-TOTAL	432009.00
				TOTAL	432009.00
REMARKS: * CONTRACT CHANGE ORDER NO. 2 IN THE AMOUNT OF \$432,009 WAS APPROVED BY AMES CITY COUNCIL RESOLUTION NO. 05-314 ON JULY 26, 2005.					
<b>INVOICE PROCEDURE</b> SUBMIT INVOICES IN DUPLICATE TO: CITY OF AMES FINANCE DEPT. - ACCOUNTS PAYABLE P.O. BOX 811 AMES, IA 50010-0811					
				AUTHORIZED SIGNATURE 	07/29/05 DATE

DEPARTMENT COPY



Report on Special Investigation of the  
City of Ames Electric Department

Excerpts from CTG Contract with SEGA,  
Change Orders and Related Documents

Approved #1  
rc: Carol C.

ITEM # 17  
DATE: July 26, 2005

COUNCIL ACTION FORM

**SUBJECT:** ELECTRIC SERVICES  
COMBUSTION TURBINE GENERATOR PROJECT  
ENGINEERING SERVICES AGREEMENT  
CHANGE ORDER NO. 2

**BACKGROUND:**

This year's budget includes a CIP project to install a 20 MW Combustion Turbine Generator at the existing combustion turbine generator site located at Dayton Avenue and Pullman Street. The budgeted cost of the project is \$16,674,000.

At its meeting on October 14, 2003, Council approved an Engineering Services Agreement with Segal, Inc. for the Combustion Turbine Generator Project.

Original Amount	\$1,275,000
Change Order #1	<u>41,162</u>
Current Amount	\$1,316,162

As the project progressed the following extra engineering services were required:

1. Human-Machine Interface (HMI) control computer and associated system software upgrade. \$4,565
  - a.) City requested an upgrade to RS Logix software and the addition of an RSSQL-150 tag program.
2. Balance of Plant (BOP) controller upgrades. \$32,997
  - a.) City requested a change from simplex to redundant processors, which required more processors, associated equipment, a larger cabinet enclosure, more control cards and a thermocouple card to monitor temperature into the catalyst.
3. G.E. turbine generator control interface. \$10,000
  - a.) City requested that all G.E. control data be accessed through the balance of plant controller.
  - b.) City requested one button start programming.
  - c.) Extra engineering time for items a & b.
4. Environmental Permit.
  - a.) The Iowa DNR required the reduction of Formaldehyde as part of the construction permit. This required the addition of an oxidation catalyst. The City requested that Segal furnish the necessary services to appeal the Formaldehyde reduction requirement; thereby, avoiding the high cost of an oxidation catalyst. The appeal to the Iowa DNR was rejected and the oxidation catalyst was added. \$26,087
  - b.) Due to staff shortages the City requested that Segal furnish additional services to meet Iowa DNR and EPA acid rain reporting requirements and performance and compliance testing planning that was not included in the original contract. \$50,840



Report on Special Investigation of the  
City of Ames Electric Department

Excerpts from CTG Contract with SEGA,  
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5. Extended on-site construction and start-up support.
- a.) Original project schedule was Commercial Operation no later than January 1, 2005. Commercial Operation occurred in late June.
  - b.) Plan was to replace Construction representative with Start-up representative in late April.
  - c.) Due to extended wrap-up of contractor punch lists, and installation start-up problems with GE package equipment, both the Construction and Start-up representation time on-site have been extended. In addition, problems with GE control system interface as well as start-up delays have required extended on-site time and return visits for Sega control engineers.
  - d.) Extended Construction representative on-site time April 25, 2005 to July 2, 2005, with per diem expenses is an added cost. \$53,500
  - e.) Extended Start-up representative support as well as Control Engineer extended time and return visits with Sega home office Support for an added month (June 1, 2005 to July 2, 2005) with per diem expenses is an added cost. \$96,320

The need for extended on-site time for Construction representative, Start-up representative, and Control engineer was due in part to staff shortages

6. Additional engineering costs due to late GE interface items. \$6,000
- a.) Added electrical cable in March and April, after Sega design was complete and installation work was on-going.
  - b.) Other in-process changes to cables and termination drawings.

Sega's contract included engineering services for upgrading the controls of the existing combination turbine generator GT-1 which was installed in 1972.

7. GT 1 controls communication cabinet and BOP controls, similar to what was done for GT 2 (in addition to engineering services included in the base contract). \$126,700
- a.) Communication cabinet estimated cost of \$3,500.
  - b.) BOP equipment estimated cost of \$70,000.
  - c.) Engineering, documentation and assembly \$20,000.
  - d.) Added programming \$30,000.
  - e.) HMI computer \$3,200. — HAVE THIS
8. Postpone GT 1 Controls upgrade from May 2005 to October 2005. \$25,000
- a.) The controls purchase specification was originally written for Landis & Geer equipment, but now using same equipment as GT 2.
  - b.) Extension for this work will add management time as well as added interface time with City of Ames as design is discussed, modified, tuned and questions are addressed.
  - c.) Since design is nearing completion, it will be necessary to "re-mobilize" engineering in the Fall when the installation work commences.
  - d.) Added 5 weeks of engineering time at cost of \$25,000.

Total Change Order No. 2 \$432,009  
Current Contract Amount \$1,316,162  
New Contract Amount \$1,738,171

s/b. 1,748,171  
LH

Report on Special Investigation of the  
City of Ames Electric Department

Excerpts from CTG Contract with SEGA,  
Change Orders and Related Documents

The extra cost will be taken from contingency.

**Project Cost Estimate**

	Current Estimate	Revised Estimate
<b>Engineering (Sega, Inc.)</b>	<b>\$ 1,316,162</b>	<b>\$ 1,738,172</b>
Combustion Turbine Generator (GE Aero Energy Products)	9,014,525	9,014,525
Emission Monitoring Equipment	200,000	200,000
Storage Tank (Brown Mpls. Tank Co.)	286,427	286,427
Transformer – GSU (Delta Star)	358,053	358,053
Site Preparation & Foundations (Story Construction)	1,539,769	1,571,519
Mechanical Erection (Casey Industrial)	436,457	436,457
Electrical Erection (Casey Industrial)	531,444	531,444
Auxiliary Equipment	485,000	485,000
Fuel Forwarding Equipment (Glauber)	57,100	57,100
Stack & COR Duct (Braden Mfg.)	586,250	586,250
Catalyst (Braden Mfg.)	125,300	125,300
<b>Contingency</b>	<b>1,737,513</b>	<b>1,283,753</b>
<b>Total</b>	<b>16,764,000</b>	<b>16,764,000</b>

**ALTERNATIVES:**

1. Approve Change Order No. 2 in the amount of \$432,009 to Sega, Inc. for Engineering Services.
2. Delay approval of Change Order No. 2.

**MANAGER'S RECOMMENDED ACTION:**

It is the recommendation of the City Manager that the City Council adopt alternative #1, approving Change Order No. 2 in the amount of \$432,009 to Sega, Inc. for Engineering Services.

**COUNCIL ACTION:**

Report on Special Investigation of the  
City of Ames Electric Department

Excerpts from CTG Contract with SEGA,  
Change Orders and Related Documents

RESOLUTION NO. 05-314

RESOLUTION APPROVING CHANGE ORDER NO. 2 FOR  
ENGINEERING SERVICES IN CONNECTION WITH THE  
COMBUSTION TURBINE GENERATOR PROJECT  
FOR THE CITY OF AMES

WHEREAS, this year's budget includes a CIP project to install a 20 MW Combustion Turbine Generator at the existing combustion turbine generator site located at Dayton Avenue and Pullman Street; and,

WHEREAS, the budgeted cost of the project is \$16,674,000; and,

WHEREAS, at the October 14, 2003, Council meeting, an Engineering Services Agreement with Segal, Inc., was approved for this project; and,

WHEREAS, as the project progressed, the following extra engineering services were required: 1) Human-Machine Interface control computer and associated system software upgrade; 2) balance of Plant controller upgrades; 3) G.E. turbine generator control interface; 4) environmental permit; 5) extended on-site construction and start-up support; 6) additional engineering costs due to late G.E. interface items; 7) GT 1 controls communication cabinet and Balance of Plant controls; and, 8) postpone GT 1 controls upgrade from May 2005 to October 2005; and,

WHEREAS, the total amount for Change Order No. 2 is \$432,009 and will be expended from the Contingency Fund.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Ames, Iowa, that Change Order No. 2 in the amount of \$432,009 to Segal, Inc., for Engineering Services for the Combustion Turbine Generator Project is hereby approved.

ADOPTED THIS 26<sup>th</sup> day of July, 2005.



Diane R. Voss, City Clerk



Ted Tedesco, Mayor

Introduced by:	Goodhue
Seconded by:	Goodman
Voting aye:	Goodhue, Goodman, Mahayni, Vegge, Wirth
Voting nay:	None
	Absent: Cross

Resolution declared adopted and signed by the Mayor this 26<sup>th</sup> day of July, 2005.

Report on Special Investigation of the  
City of Ames Electric Department

Excerpts from CTG Contract with SEGA,  
Change Orders and Related Documents



**Finance Department/Purchasing Division**

515 Clark, P.O. Box 811, Ames, IA 50010  
Ph: 515-239-5125 Fax: 515-239-5325

**PURCHASE ORDER**

No. 032219  
PAGE 1

THIS NUMBER MUST APPEAR ON  
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INVOICES, AND CORRESPONDENCE  
RELATING TO THIS ORDER.

TO:

SEGA INC  
ATTN: BRUCE SCHALLER  
PO BOX 1000  
STILWELL, KS 66085-1000

SHIP TO:

CITY OF AMES  
ELECTRIC ADMINISTRATI  
502 CARROLL AVE  
AMES, IA 50010

VENDOR #	DATE	DELIVER BY	CONTRACT #	PURCHASING CONTACT	REQUISITION #				
4453	10/22/03	05/30/05		MICHAEL SIBERT					
TAX ID NUMBER	ACCOUNT NUMBER	PROJECT	REQUISITIONED BY						
SEE BELOW									
LINE #	QUANTITY	UOM	DESCRIPTION	UNIT COST	EXTENDED				
3	200.00	DL	***** * * CHANGE ORDER * * *****  EXTRA ENGINEERING SERVICES IN ACCORDANCE WITH CHANGE ORDER NO. 2.	1.0000	200.00				
				SUB-TOTAL	200.00				
				TOTAL	200.00				
REMARKS: * CHANGE ORDER #3: INCREASE LINE #3, BY \$200, PER DON KOM, 4/5/06/WAL									
<table border="1"> <thead> <tr> <th colspan="2">INVOICE PROCEDURE</th> </tr> </thead> <tbody> <tr> <td colspan="2">SUBMIT INVOICES IN DUPLICATE TO: CITY OF AMES FINANCE DEPT. - ACCOUNTS PAYABLE P.O. BOX 811 AMES, IA 50010-0811</td> </tr> </tbody> </table>						INVOICE PROCEDURE		SUBMIT INVOICES IN DUPLICATE TO: CITY OF AMES FINANCE DEPT. - ACCOUNTS PAYABLE P.O. BOX 811 AMES, IA 50010-0811	
INVOICE PROCEDURE									
SUBMIT INVOICES IN DUPLICATE TO: CITY OF AMES FINANCE DEPT. - ACCOUNTS PAYABLE P.O. BOX 811 AMES, IA 50010-0811									
				 AUTHORIZED SIGNATURE	04/05/06 DATE				

DEPARTMENT COPY

Report on Special Investigation of the  
City of Ames Electric Department

Excerpts from CTG Contract with SEGA,  
Change Orders and Related Documents



**Finance Department/Purchasing Division**

515 Clark, P.O. Box 811, Ames, IA 50010  
Ph: 515-239-5125 Fax: 515-239-5325

**PURCHASE ORDER**

No. 032219  
PAGE 2

THIS NUMBER MUST APPEAR ON  
ALL PACKAGES, SHIPPING PAPERS,  
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TO:

SEGA INC  
ATTN: BRUCE SCHALLER  
PO BOX 1000  
STILWELL, KS 66085-1000

SHIP TO:

CITY OF AMES  
ELECTRIC ADMINISTRATI  
502 CARROLL AVE  
AMES, IA 50010

VENDOR #	DATE	DELIVER BY	CONTRACT #	PURCHASING CONTACT		REQUISITION #
4453	10/22/03	05/30/05				
TAX ID NUMBER		ACCOUNT NUMBER		PROJECT	REQUISITIONED BY	
LINE #	QUANTITY	UOM	DESCRIPTION		UNIT COST	EXTENDED
			***** * * CHANGE ORDER * * *****			
***** * ACCOUNTING INFORMATION ONLY - DO NOT SEND THIS PAGE TO THE VENDOR * *****						
	REQ/ACCT	DATE	REQ. BY	PROJECT	AMOUNT	
	CHANGE2	07/29/05	MERLIN HOVE		200.00	
	53048664894010					
<b>INVOICE PROCEDURE</b> SUBMIT INVOICES IN DUPLICATE TO: CITY OF AMES FINANCE DEPT. - ACCOUNTS PAYABLE P.O. BOX 811 AMES, IA 50010-0811						
				 AUTHORIZED SIGNATURE		04/05/06 DATE

DEPARTMENT COPY

Report on Special Investigation of the  
City of Ames Electric Department

Excerpts from CTG Contract with SEGA,  
Change Orders and Related Documents

RESOLUTION NO. 06-485

RESOLUTION APPROVING ADDITIONAL ENGINEERING SERVICES  
FOR GT1 CONTROL SYSTEMS UPGRADE  
FOR THE CITY OF AMES

WHEREAS, on October 14, 200<sup>3</sup>~~4~~, the Council approved a contract with Sega, Inc., for engineering services to evaluate and install a simple-cycle combustion turbine generator (GT2), and this work was completed; and,

WHEREAS, included in the contract is a section entitled, "Additional Services of Engineer", and under this section, it was contemplated that Sega, Inc., would provide engineering services relating to the Controls System Upgrade for the existing combustion turbine generator unit (GT1); and,


WHEREAS, Sega, Inc., has provided additional engineering services for the GT1 control system upgrade, and rather than break out these projects into separate purchase orders, work has been billed/covered under one number; and,

WHEREAS, the total in additional engineering services for GT1, including work already completed and the GT1 Controls Upgrade Schedule, is \$61,640.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Ames, Iowa, that the additional engineering services provided by Sega, Inc., in the amount of \$61,640 relating to GT1 Controls System Upgrades are hereby approved.

ADOPTED THIS 12<sup>th</sup> day of December, 2006.

  
Diane R. Voss, City Clerk

  
Ann H. Campbell, Mayor

Introduced by:	Mahayni
Seconded by:	Goodman
Voting aye:	Doll, Goodman, Larson, Mahayni, Popken, Rice
Voting nay:	None
Absent:	None

Resolution declared adopted and signed by the Mayor this 12<sup>th</sup> day of December, 2006.

Report on Special Investigation of the  
City of Ames Electric Department

Excerpts from CTG Contract with SEGA,  
Change Orders and Related Documents

ITEM # 9  
DATE December 12, 2006

COUNCIL ACTION FORM

**SUBJECT:** APPROVAL FOR ENGINEERING SERVICES FOR GT1 CONTROL SYSTEMS

**BACKGROUND:**

On October 14, 2004, City Council approved a contract with SEGA, Inc., for engineering services to evaluate and install a simple-cycle combustion turbine generator (GT2). This work has been completed. Included in the contract is a section entitled "Additional Services of Engineer". Under this section it was contemplated that SEGA, Inc., would provide engineering services relating to the control system upgrade for the existing combustion turbine generator unit (GT1).

SEGA, Inc., has provided additional engineering services for the GT1 control system upgrade. Rather than break out these projects into separate purchase orders, work has been billed/covered under one number. To date, SEGA has provided the following additional services for GT1:

<u>Service</u>	<u>Cost</u>
GT 1 - Verify & Update Wiring Documentation	\$15,740
GT 1 Cable Termination Design	11,000
GT 1 Wiring Design for Motor Control Center	4,000
GT1 Upgraded HMI	5,900
<b>Total work completed, GT1</b>	<b>\$36,640</b>

In addition, SEGA, Inc., is providing services for extended GT1 Controls Upgrade Schedule at an estimated cost of \$25,000.

The purchasing policy requires City Council approval when the total amount exceeds \$50,000. The total in additional engineering services for GT1, including work already completed and the GT1 Controls Upgrade Schedule, is \$61,640.

The FY 2003/2004 CIP included \$378,000 for Combustion Turbine Controls. Following is an itemization of the components of that project:

GT1 Control System Upgrade	\$160,410	(awarded to HPI, LLC)
GT1 Motor Control Center Upgrade	100,000	estimated cost, parts
	25,000	estimated cost, installation
	5,000	additional engineering
<b>Total cost of combustion turbine controls</b>	<b>\$290,410</b>	

Report on Special Investigation of the  
City of Ames Electric Department

Excerpts from CTG Contract with SEGA,  
Change Orders and Related Documents

This leaves a balance of \$87,590 for engineering services and other GT1 controls upgrade costs.

**ALTERNATIVES:**

1. Approve additional engineering services provided by SEGA, Inc., in the amount of \$61,640 relating to GT1 controls system upgrades.
2. Approve payment to SEGA, Inc., for work completed and solicit proposals for remaining GT1 controls system engineering services.

**MANAGER'S RECOMMENDED ACTION:**

SEGA, Inc. has provided all consulting engineering services relating to GT1 combustion turbine controls. The company has provide satisfactory services and familiar with the control system needs of GT1.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby approving additional engineering services provided by SEGA, Inc., in the amount of \$61,640 relating to GT1 controls system.



Report on Special Investigation of the  
City of Ames Electric Department

Excerpts from CTG Contract with SEGA,  
Change Orders and Related Documents

RESOLUTION NO. 06-485

RESOLUTION APPROVING ADDITIONAL ENGINEERING SERVICES  
FOR GT1 CONTROL SYSTEMS UPGRADE  
FOR THE CITY OF AMES

WHEREAS, on October 14, 2004, the Council approved a contract with Sega, Inc., for engineering services to evaluate and install a simple-cycle combustion turbine generator (GT2), and this work was completed; and,

WHEREAS, included in the contract is a section entitled, "Additional Services of Engineer", and under this section, it was contemplated that Sega, Inc., would provide engineering services relating to the Controls System Upgrade for the existing combustion turbine generator unit (GT1); and,


WHEREAS, Sega, Inc., has provided additional engineering services for the GT1 control system upgrade, and rather than break out these projects into separate purchase orders, work has been billed/covered under one number; and,

WHEREAS, the total in additional engineering services for GT1, including work already completed and the GT1 Controls Upgrade Schedule, is \$61,640.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Ames, Iowa, that the additional engineering services provided by Sega, Inc., in the amount of \$61,640 relating to GT1 Controls System Upgrades are hereby approved.

ADOPTED THIS 12<sup>th</sup> day of December, 2006.

  
Diane R. Voss, City Clerk

  
Ann H. Campbell, Mayor

Introduced by:	Mahayni
Seconded by:	Goodman
Voting aye:	Doll, Goodman, Larson, Mahayni, Popken, Rice
Voting nay:	None
Absent:	None

Resolution declared adopted and signed by the Mayor this 12<sup>th</sup> day of December, 2006.

**Report on Special Investigation of the  
City of Ames Electric Department**

Report on Special Investigation of the  
City of Ames Electric Department

Copy of Fax Cover Sheet to SEGA  
for Work Plans From Other Vendors



502 Carroll Ave.,  
PO Box 811  
Ames, Iowa 50010

# Fax

To:	BRUCE SCHALLER	From:	GARY TITUS
Fax:	913-681-8475	Pages:	16
Phone:		Date:	9-15-03
Re:	AMES CTG PROJECT	CC:	

☐ Urgent   ☐ Per Request   ☐ Please Comment   ☐ Please Reply   ☐ Please Recycle

• Comments: FOR YOUR INFORMATION

Report on Special Investigation of the  
City of Ames Electric Department

Copies of Selected E-mail Communications



Bob Cadwallader/COA  
01/22/2007 04:41 PM

To: Sue Rybolt/COA@COA  
cc: Donald Kom/COA@COA, Mike P Butterfield/COA@COA  
bcc:  
Subject: Re: SEGA Invoices

Sue,

Thank you for taking time to review the SEGA invoices. You make a good point and we agree to delay meeting with SEGA until after Luana Stoneking returns from vacation. Bruce Schaller is also in agreement. The meeting scheduled for Wednesday Jan 24 is cancelled and will be rescheduled for early February after Luana returns. I can advise meeting date and time later.

Thanks,  
Bob Cadwallader  
231 5876

-----Sue Rybolt/COA wrote: -----

To: Bob Cadwallader/COA@COA, Donald Kom/COA@COA  
From: Sue Rybolt/COA  
Date: 01/22/2007 03:22PM  
cc: Gary M Seite/COA@COA, Duane R Pitcher/COA@COA  
Subject: SEGA Invoices

Bob & Don:

I spent Friday afternoon reviewing the SEGA invoices with the assistance of Gary Seite. Gary went to Purchasing and brought their file back with copies of the purchase orders, requisitions and many notes from Luana.

Luana is on vacation through February 5. She will return on February 6. She appears to be very knowledgeable about these purchase orders and has spoken with Bruce Schaller at SEGA. Since we will need to have purchase orders issued to pay the outstanding invoices, I think it would be in the best interest of everyone involved to postpone the financial portion of the meeting with Bruce Schaller until after Luana returns so we don't confuse the billing issue any further. I am only wanting to postpone the meeting regarding the outstanding invoices, not any other matters which you might wish to discuss.

Gary and I did find where SEGA billed us for one (1) computer only on February 10, 2005 at a cost of \$3,247.01. All the rest of their billings seem to be only engineering time, clerical time, travel, freight, copies, computer usage, and contracted services. Travel includes per diem, hotel, meals, and so forth. Gary and I were unable to determine what exactly they were doing that was being billed on the engineering time bills.

I have prepared two Excel worksheets to help understand what has transpired with this billing. The first shows purchase orders issued to SEGA with descriptions of the work to be done (where I could find it) and amounts invoiced and paid. I have purposefully omitted the large purchase order for the contract (#032219) as it has been completed. The second file shows the outstanding invoices for which SEGA is requesting payment. I do not have a copy of the final invoice for \$120 that is listed on this outstanding invoice worksheet. Again, I am unable to tell, other than the work period covered, the work for which we are being billed. Their invoices are all billings on a professional contract with no details of what was done or worked on; just employee names and hours spent.

Mike Butterfield's main concern seemed to be that we were billed for more than one computer and at various prices. Even though this might have been detailed in Council action forms, Gary and I only found

## Report on Special Investigation of the City of Ames Electric Department

### Copies of Selected E-mail Communications

the one computer being billed at the price shown above. I do not feel that we were double billed or billed at an inflated price for this. Another concern was the cabinet mentioned in the Council action forms. Two purchase orders that might pertain to this cabinet were issued on December 21, 2004 and invoices for the work were paid on May 18, 2005. The total is \$15,541 that was paid and the purchase orders were closed.

If you would like to discuss this in person before Wednesday or set up a conference call between us, please let me know. I would like to pay SEGA what is due to them and want to ensure that we are paying for services which we received. As I mentioned in our meeting, we need to know what they are billing us for in a format that will match our purchase orders and Council action forms. Their current billings are unable to supply this information from an accounting standpoint.

Our conference room is still reserved for your meeting with Bruce Schaller on Wednesday morning. If you wish to go ahead and discuss these financial issues, please let me know. I have tried to present everything I know at this time in this memo. Please call with questions, concerns, and comments or I can come to your offices to discuss if you wish.

Sue



SEGA Purchase Orders.xls



Outstanding SEGA Invoices.xls

Report on Special Investigation of the  
City of Ames Electric Department

Copies of Selected E-mail Communications

Luana R Stoneking/COA  
02/07/2007 11:23 AM

To Bob Cadwallader/COA@COA  
cc Donald Kom/COA@COA, Mike P Butterfield/COA@COA  
bcc  
Subject Re: SEGA Invoices

I entered Requisition 36596 on Dec 14 based on what City Council approved on December 12. That Council Action Form was based on what I had understood to be work that had been completed and invoiced (but never properly approved by City Council), and also work that staff had "authorized", but was yet to be completed (and also not properly approved by City Council).

I got copies of SEGA's earlier communications in trying to piece this together. What I know about past purchase orders was based on what was in the descriptions on the purchase orders (which I reviewed using HTE PO inquiry). I got the original GT2 contract from the City Clerk. I'm sure there was a proposal somewhere that the original contract was based on, but the Clerk does not have it. You all received copies of everything I gathered.

That's about all I know. Purchasing has not been involved in any of the contracting with SEGA. I understand that possibly none of you were involved in it before sometime in 2006 either. It was not until after City Council approval of 12/12/06 that I learned that somewhere along the line between June and December 2006 the work described in the invoices had not been verified.

I'll be glad to attend your meeting if you would like me to, but I'm not sure what I can add. Actually Gary Titus may be the one to ask for clarification on some of this.

When you settle the disputed items with SEGA, we may need to go back to the City Council or issue some type of change document depending on the amount of the "adjustment" if it affects the items reported to City Council on 11/28

Luana Stoneking, CPPB  
Purchasing Agent  
City of Ames  
515 Clark Avenue  
Ames, IA 50010  
mail to: lstoneking@city.ames.ia.us  
Bob Cadwallader/COA



Bob Cadwallader/COA  
02/06/2007 05:45 AM

To Sue Rybolt/COA@COA, Luana R Stoneking/COA@COA  
cc Donald Kom/COA@COA, Mike P Butterfield/COA@COA  
Subject Re: SEGA Invoices

Sue, Luana,

Let me know if we need to get together with Mike Butterfield before our meeting with Bruce Schaller of SEGA Monday Feb 12 to discuss open invoices and past invoicing?

Bob  
-----Sue Rybolt/COA wrote: -----

Report on Special Investigation of the  
City of Ames Electric Department

Copies of Selected E-mail Communications

Sue Rybolt/COA  
04/11/2007 09:53 AM

To: Donald Kom/COA@COA  
cc: Duane R Pitcher/COA@COA, Luana R  
Stoneking/COA@COA  
Subject: Paying Sega Invoices

Good Morning Don:

Luana and I worked on the outstanding invoices that are due to Sega on Monday and have arrived at how we can pay them and the paperwork required to do so.

Luana has corrected a requisition for a purchase order that has not been issued to more clearly reflect the services that were performed and we have applied some of the invoices to other applicable open purchase orders.

To complete payment of all bills, we need some help from you. Would you please send Luana an e-mail requesting a change order to PO 39059 in the amount of \$3,269.56 to complete paying for writing the specifications for bid and reviewing the bids for CN16 (MCC). This will then enable us to pay for the work that has been done and billed.

We then need a requisition for a purchase order to be entered to pay for some extra work done by Sega employee Lawrence Beil. This requisition should be in the amount of \$5,114.00 and charged to 530-4120-485.40-10. The description is "responses to questions on evaporative cooler blowdown, fencing around substation, demineralized water tank leak investigation, and resolution with supplier".

When this change order and requisition/purchase order are issued, we will be able to pay all of the Sega bills currently in our possession. I will then stamp the open invoices, enter the proper purchase order and account numbers on the invoices, and send them to you to approve. After approval and return to accounts payable, they will be paid in our regular cycle.

Thank you very much for helping us with this matter.

Sue

Report on Special Investigation of the  
City of Ames Electric Department

Copies of SEGA's Response to Detail Request  
and Copies of Related Invoices

Bob Cadwallader/COA  
03/16/2007 03:30 PM

To: Mike P Butterfield/COA@COA  
cc  
bcc  
Subject: Fw: City of Ames; Sega Work on GT 1 & GT 2; Invoice  
Back-up

Mike,

See below. Do you have the invoices? Let's review together.

Bob

----- Forwarded by Bob Cadwallader/COA on 03/16/2007 03:29 PM -----



"Bruce Schaller"  
<bschaller@segainc.com>  
03/16/2007 03:27 PM

To: "Bob Cadwallader" <cadwalr@city.ames.ia.us>, "Sue Rybolt  
@ Ames" <srybolt@city.ames.ia.us>  
cc: "Donald Kom" <dkom@city.ames.ia.us>, "Pam Moser"  
<pmoser@segainc.com>, "Linda May"  
<lmay@segainc.com>  
Subject: City of Ames; Sega Work on GT 1 & GT 2; Invoice Back-up

Bob, Sue,

Sega was asked to provide a brief explanation for the services which were included on the unpaid and partially paid invoices to Ames. Following is a list of the invoices, followed by an summary of the work performed by the individuals included on that invoice. Recall that some of these invoices are several months old, so our recollection may not be perfect. Let me know if you require anything further to complete payment processing of these invoices.

NOTE: Time for Engineering Secretary, Pam Moser, Georgia Jenkins, Jamie Roschak, Kim English, and Debra Clark is for general project secretarial, typing, filing, specification/bid document preparation and reproduction, mailing, and other project-related clerical duties. I haven't tried to itemize this work. Time for Bruce Schaller is for project management duties, including specification support, meetings with Ames, contacts with GE to expedite support and responses to continuing problems with the GE Package, and preparation of a letter to GE demanding replacement of the unit due to ongoing defects.

**Invoice No. 007785; 20-Apr-06**

Archie Andrews ... GT 1 Controls Upgrade Specification Preparation

**Invoice No. 008230; 11-Jul-06**



Report on Special Investigation of the  
City of Ames Electric Department

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and Copies of Related Invoices

Lawrence Beil ... Responses to Ames questions on evaporative cooler Blowdown, fencing around substation, demineralized water tank leak investigation and resolution with supplier

Archie Andrews ... GT 1 Controls Upgrade Specification Preparation. GT 1 Controls Upgrade bid review

**Invoice No. 008381; 08-Aug-06**

Archie Andrews ... GT 1 Controls Upgrade bid review

**Invoice No. 008595; 22-Sep-06**

Archie Andrews ... GT 1 Controls Upgrade bid review

Glenn Milkert ... Issued Contract CN16 (MCC) "for review"

Lawrence Beil ... Assisted Ames (Bob Cadwallader) with GE Fuel Oil Skid issues and warranty claim letter

**Invoice No. 008773; 24-Oct-06**

Glenn Milkert ... Revise and re-issue CN16

Lawrence Beil ... Input regarding Bob Cadwallader questions on oily drain tank and drain system

**Invoice No. 008866; 15-Nov-06**

Glenn Milkert ... Attended Kick-off Meeting at Ames with HPI. Revised specifications

**Invoice No. 009086; 22-Dec-06**

Glenn Milkert ... Worked on specification revisions and issued CN16 specification package for bid

**Invoice No. 009250; 19-Jan-07**

Report on Special Investigation of the  
City of Ames Electric Department

Copies of SEGA's Response to Detail Request  
and Copies of Related Invoices

Bruce Schaller ... (see Note above)

Best regards,  
Bruce J. Schaller  
Vice President  
Sega Inc.  
phone: 913.681.2881  
fax: 913.681.8475  
[www.segainc.com](http://www.segainc.com)

Report on Special Investigation of the  
City of Ames Electric Department

Copies of SEGA's Response to Detail Request  
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Remit To:  
SEGA INC.  
P.O. Box 801107  
Kansas City, MO 64180-1107

## INVOICE

Invoice Number 007785

Invoice Date April 20, 2006

Payment Terms Net 30 Days

PO Number ~~03-0277~~ 38608

Project CTG Addition

Project Desc. CTG Addition

Page 1 of 1

Customer ID AME00301

Gary Titus  
City of Ames, Iowa  
502 Carroll Avenue  
PO Box 811  
Ames, IA 50010

Period beginning 03/01/2006 through 03/31/2006

Ames, IA

			Current Hours	Rate	Current Amount
<u>Services</u>					
Project Manager	Bruce J. Schaller	3/5/2006	1.50	120.00	180.00
Project Manager	Bruce J. Schaller	3/12/2006	1.50	120.00	180.00
Project Manager	Bruce J. Schaller	3/19/2006	1.00	120.00	120.00
Project Manager	Bruce J. Schaller	3/26/2006	3.00	120.00	360.00
Project Manager	Bruce J. Schaller	3/31/2006	2.00	120.00	240.00
Senior Engineer	Archie M. Andrews	3/5/2006	16.00	110.00	1,760.00
Senior Engineer	Archie M. Andrews	3/15/2006	12.00	110.00	1,320.00
Senior Engineer	Archie M. Andrews	3/26/2006	10.00	110.00	1,100.00
Eng. Secty	Pamla J. Moser	3/12/2006	0.25	45.00	11.25
Eng. Secty	Pamla J. Moser	3/19/2006	0.25	45.00	11.25
Eng. Secty	Pamla J. Moser	3/26/2006	0.25	45.00	11.25
Eng. Secty	Debra L. Clark	3/19/2006	1.00	45.00	45.00
Subtotal Services			48.75		5,338.75
Invoice Total					<u>\$5,338.75</u>

PO # ~~38608~~ 4453

APPROVED *[Signature]* DATE 9/21/06

ACCOUNT NO./PROJECT \$ AMOUNT

530 48166 489 4010 \$ 1003.75 (GT2)

\$



CORPORATE HEADQUARTERS  
16041 Foster \* PO Box 1000 \* Stillwell, KS 66085-1000 \* (913) 681-2881 \* FAX (913) 681-8475  
WWW.SEGAINC.COM FEIN: 43-0981939





Report on Special Investigation of the  
City of Ames Electric Department

Copies of SEGA's Response to Detail Request  
and Copies of Related Invoices

Sega

JUL 12 2006  
ELECTRIC

Gary Titus  
City of Ames, Iowa  
502 Carroll Avenue  
PO Box 811  
Ames, IA 50010

Remit To:  
SEGA INC.  
P.O. Box 801107  
Kansas City, MO 64180-1107

## INVOICE

Invoice Number 008230

Invoice Date July 11, 2006

Payment Terms Net 30 Days

PO Number

Project

Project Desc. CTG Addition

Page

Customer ID

1 of 2

AME00301

Period beginning 04/01/2006 through 06/30/2006

Ames, IA

			Current Hours	Rate	Current Amount
<u>Services</u>					
Project Manager	Bruce J. Schaller	4/9/2006	2.00	120.00	240.00
Project Manager	Bruce J. Schaller	5/7/2006	2.50	120.00	300.00
Project Manager	Bruce J. Schaller	5/21/2006	4.50	120.00	540.00
Project Manager	Bruce J. Schaller	5/28/2006	6.00	120.00	720.00
Project Manager	Bruce J. Schaller	5/31/2006	1.00	120.00	120.00
Project Manager	Bruce J. Schaller	6/11/2006	2.00	120.00	240.00
Project Manager	Bruce J. Schaller	6/15/2006	1.50	120.00	180.00
Project Manager	Bruce J. Schaller	6/18/2006	1.00	120.00	120.00
Project Manager	Bruce J. Schaller	6/25/2006	3.00	120.00	360.00
Project Engineer	Lawrence F. Beil, II	4/15/2006	2.00	120.00	240.00
Project Engineer	Lawrence F. Beil, II	4/23/2006	5.00	120.00	600.00
Project Engineer	Lawrence F. Beil, II	4/30/2006	2.00	120.00	240.00
Project Engineer	Lawrence F. Beil, II	5/28/2006	8.00	120.00	960.00
Project Engineer	Lawrence F. Beil, II	5/31/2006	2.00	120.00	240.00
Project Engineer	Lawrence F. Beil, II	6/25/2006	16.00	120.00	1,920.00
Project Engineer	Lawrence F. Beil, II	6/30/2006	11.00	120.00	1,320.00
Senior Engineer	Archie M. Andrews	4/15/2006	4.00	110.00	440.00
Senior Engineer	Archie M. Andrews	6/30/2006	8.00	110.00	880.00
Eng. Secty	Pamla J. Moser	4/15/2006	1.75	45.00	78.75
Eng. Secty	Pamla J. Moser	4/23/2006	2.75	45.00	123.75
Eng. Secty	Pamla J. Moser	4/30/2006	0.25	45.00	11.25
Eng. Secty	Pamla J. Moser	5/7/2006	0.50	45.00	22.50
Eng. Secty	Pamla J. Moser	5/21/2006	0.25	45.00	11.25
Eng. Secty	Pamla J. Moser	5/28/2006	13.25	45.00	596.25
Eng. Secty	Pamla J. Moser	5/31/2006	1.25	45.00	56.25
Eng. Secty	Pamla J. Moser	6/4/2006	3.00	45.00	135.00
Eng. Secty	Pamla J. Moser	6/11/2006	0.75	45.00	33.75
Eng. Secty	Pamla J. Moser	6/15/2006	3.25	45.00	146.25
Eng. Secty	Pamla J. Moser	6/25/2006	5.75	45.00	258.75
Eng. Secty	Pamla J. Moser	6/30/2006	1.25	45.00	56.25
Eng. Secty	Georgia R. Jenkins	4/30/2006	0.50	45.00	22.50

16041 Foster \* PO Box 1000 \* Stilwell, KS 66085-1000 \* (913) 681-2881 \* FAX (913) 681-8475  
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FEIN: 43-0981939

Report on Special Investigation of the  
City of Ames Electric Department

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City of Ames, Iowa		Invoice Number		008230	
		Project		03-0277-	
		Page		2 of 2	
Eng. Secty	Kimberly G. English	6/4/2006	1.50	45.00	67.50
Eng. Secty	Kimberly G. English	6/25/2006	1.00	45.00	45.00
Eng. Secty	Debra L. Clark	6/25/2006	4.50	45.00	202.50
Eng. Secty	Debra L. Clark	6/30/2006	11.00	45.00	495.00
Clerk/Typist	Jamie L. Roschak	5/7/2006	0.25	25.00	6.25
Clerk/Typist	Jamie L. Roschak	6/25/2006	0.50	25.00	12.50
Subtotal Services		134.75			12,041.25
<b>Expenses</b>					
Materials		Premier Conferencing			35.90
Materials		United Parcel Service			475.10
Miscellaneous other		Copies			772.10
Subtotal Expenses					1,283.10
Invoice Total					\$13,324.35

LESS: 6,890.35 Prio 7-10-06  
6,434.00 OK

PO # 550-4868-499.40-10 VENDOR # 4453  
APPROVED OK DATE 7-4-07  
ACCOUNT NO./PROJECT \$ AMOUNT  
530-4868-499.40-10 \$ 1320.00 PO # 39845  
\$  
530-4868-495.40-10 \$ 514.00 PO # 39914

Report on Special Investigation of the  
City of Ames Electric Department

Copies of SEGA's Response to Detail Request  
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**Sega**

Remit To:  
SEGA INC.  
P.O. Box 801107  
Kansas City, MO 64180-1107

INVOICE

Invoice Number 008381

Invoice Date August 08, 2006

Payment Terms Net 30 Days

PO Number 386068

Project 03-0277-

Project Desc. CTG Addition

Page 1 of 1

Customer ID AME00301

Gary Titus  
City of Ames, Iowa  
502 Carroll Avenue  
PO Box 811  
Ames, IA 50010

Period beginning 07/01/2006 through 07/31/2006

Ames, IA

Services	Current Hours	Rate	Current Amount
Project Manager Bruce J. Schaller 7/16/2006	9.00	120.00	1,080.00
Project Manager Bruce J. Schaller 7/23/2006	2.50	120.00	300.00
Project Manager Bruce J. Schaller 7/30/2006	2.00	120.00	240.00
Project Engineer Lawrence F. Beil, II 7/16/2006	1.00	120.00	120.00
Project Engineer Lawrence F. Beil, II 7/30/2006	4.00	120.00	480.00
Project Engineer Lawrence F. Beil, II 7/31/2006	3.00	120.00	360.00
Senior Engineer Archie M. Andrews 7/9/2006	14.00	110.00	1,540.00
Senior Engineer Archie M. Andrews 7/16/2006	22.00	110.00	2,420.00
Senior Engineer Archie M. Andrews 7/23/2006	8.00	110.00	880.00
Senior Engineer Archie M. Andrews 7/30/2006	4.00	110.00	440.00
Eng. Secty Kathy J. Maring 7/9/2006	7.00	45.00	315.00
Eng. Secty Pamla J. Moser 7/9/2006	1.00	45.00	45.00
Eng. Secty Pamla J. Moser 7/16/2006	4.50	45.00	202.50
Eng. Secty Pamla J. Moser 7/23/2006	8.75	45.00	393.75
Eng. Secty Pamla J. Moser 7/30/2006	2.50	45.00	112.50
Eng. Secty Pamla J. Moser 7/31/2006	1.00	45.00	45.00
Eng. Secty Debra L. Clark 7/16/2006	6.00	45.00	270.00
Eng. Secty Debra L. Clark 7/23/2006	3.00	45.00	135.00
Clerk/Typist Jamie L. Roschak 7/30/2006	0.75	25.00	18.75
Subtotal Services	104.00		9,397.50
Expenses			
Materials Premier Conferencing			82.99
Materials United Parcel Service			8.28
Subtotal Expenses			91.27
Invoice Total			\$9,488.77

APPROVED *[Signature]* DATE 9/21/06

ACCOUNT NO./PROJECT 5304866 4894010 \$ AMOUNT \$2624.00 (GT 2)

16041 Foster \* PO Box 1000 \* Stillwell, KS 66085-1000 \* (913) 681-2881 \* FAX (913) 681-8475  
WWW.SEGAINC.COM FEIN: 43-0981939



# Report on Special Investigation of the City of Ames Electric Department

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Remit To:  
SEGA INC.  
P.O. Box 801107  
Kansas City, MO 64180-1107

### INVOICE

Invoice Number 008595

Invoice Date September 22, 2006  
Payment Terms Net 30 Days  
PO Number ~~008595~~  
Project 03-0277-  
Project Desc. CTG Addition  
Page 1 of 1  
Customer ID AME00301

Gary Titus  
City of Ames, Iowa  
502 Carroll Avenue  
PO Box 811  
Ames, IA 50010

Period beginning 08/01/2006 through 08/31/2006

Ames, IA  
GTI Controls

			Current Hours	Rate	Current Amount
<u>Services</u>					
Project Manager	Bruce J. Schaller	8/6/2006	3.00	120.00	360.00
Project Manager	Bruce J. Schaller	8/13/2006	4.00	120.00	480.00
Project Manager	Bruce J. Schaller	8/31/2006	1.00	120.00	120.00
Project Engineer	Glenn E. Milkert	8/15/2006	2.00	120.00	240.00
Project Engineer	Lawrence F. Beil, II	8/6/2006	2.00	120.00	240.00
Project Engineer	Lawrence F. Beil, II	8/13/2006	2.00	120.00	240.00
Senior Engineer	Archie M. Andrews	8/13/2006	4.00	110.00	440.00
Eng. Secty	Kathy J. Maring	8/13/2006	1.00	45.00	45.00
Eng. Secty	Pamla J. Moser	8/6/2006	1.75	45.00	78.75
Eng. Secty	Pamla J. Moser	8/13/2006	5.50	45.00	247.50
Eng. Secty	Pamla J. Moser	8/15/2006	2.75	45.00	123.75
Eng. Secty	Pamla J. Moser	8/20/2006	2.50	45.00	112.50
Eng. Secty	Pamla J. Moser	8/27/2006	0.25	45.00	11.25
Eng. Secty	Kimberly G. English	8/13/2006	0.25	45.00	11.25
Eng. Secty	Debra L. Clark	8/13/2006	8.00	45.00	360.00
Clerk/typist	Jamie L. Roschak	8/6/2006	0.25	25.00	6.25
Clerk/typist	Jamie L. Roschak	8/13/2006	12.25	25.00	306.25
Subtotal Services			52.50		3,422.50

### Expenses

Materials Premier Conferencing 18.46  
Materials 82.59  
Miscellaneous Other 410.20

Subtotal Expenses

PO# SEE BELOW VENDOR# 4453 511.25

Invoice Total

APPROVED OK DATE 7/1/07  
ACCOUNT NO/PROJECT \$ AMOUNT \$3,933.75  
530-4868-489.40-10 \$ 440.00 PO# 38668  
530-4868-489.40-10 \$ 240.00 PO# 38668  
530-4866-489.40-10 \$ 3253.75 PO# 38668

16041 Foster

WWW.SEGAINC.COM

\* FAX (913) 681-8475  
FEIN: 43-0981939

Report on Special Investigation of the  
City of Ames Electric Department

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**Sega**

OCT 25

Gary Titus  
City of Ames, Iowa  
502 Carroll Avenue  
PO Box 811  
Ames, IA 50010

Period beginning 09/01/2006 through 09/30/2006

Ames, IA  
GTI MCC

Remit To:  
SEGA INC.  
P.O. Box 801107  
Kansas City, MO 64180-1107

INVOICE

Invoice Number 008773  
Invoice Date October 24, 2006  
Payment Terms Net 30 Days  
PO Number 032219  
Project 03-0277-  
Project Desc. CTG Addition  
Page 1 of 1  
Customer ID AME00301

			Current Hours	Rate	Current Amount
<u>Services</u>					
Project Manager	Bruce J. Schaller	9/10/2006	1.00	120.00	120.00
Project Manager	Bruce J. Schaller	9/15/2006	0.50	120.00	60.00
Project Manager	Bruce J. Schaller	9/24/2006	0.50	120.00	60.00
Project Engineer	Glenn E. Milkert	9/15/2006	3.00	120.00	360.00
Project Engineer	Glenn E. Milkert	9/24/2006	18.00	120.00	2,160.00
Project Engineer	Glenn E. Milkert	9/30/2006	4.00	120.00	480.00
Project Engineer	Lawrence F. Beil, II	9/30/2006	0.50	120.00	60.00
Eng. Secty	Pamla J. Moser	9/15/2006	1.25	45.00	56.25
Eng. Secty	Pamla J. Moser	9/24/2006	5.00	45.00	225.00
Subtotal Services			33.75		3,581.25

Invoice Total

\$3,581.25

PO # 530-4866-489.40-10 VENDOR # 4453

APPROVED [Signature] DATE 10/27/07

ACCOUNT NO./PROJECT	\$ AMOUNT
530-4866-489.40-10	\$ 60.00
530-4866-489.40-10	\$ 3,521.25

PO# 38668  
PO# 39124

16041 Foster \* PO Box 1000 \* Stilwell, KS 66085-1000 \* (913) 681-2881 \* FAX (913) 681-8475  
WWW.SEGAINC.COM FEIN: 43-0981939

# Report on Special Investigation of the City of Ames Electric Department

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**Sega**

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NOV 15 2006

Remit To:  
SEGA INC.  
P.O. Box 801107  
Kansas City, MO 64180-1107

Invoice  
Invoice Number 008866  
Invoice Date November 15, 2006  
Payment Terms Net 30 Days  
PO Number 032219  
Project 03-0277-  
Project Desc. CTG Addition  
Page 1 of 1  
Customer ID AME00301

Donald Kom  
City of Ames, Iowa  
502 Carroll Avenue  
PO Box 811  
Ames, IA 50010

Period beginning 10/01/2006 through 10/31/2006

Ames, IA  
re: GTI MCC

			Current Hours	Rate	Current Amount
<b>Services</b>					
Project Manager	Bruce J. Schaller	10/8/2006	1.00	120.00	120.00
Project Manager	Bruce J. Schaller	10/15/2006	8.00	120.00	960.00
Project Manager	Bruce J. Schaller	10/22/2006	2.00	120.00	240.00
Project Manager	Bruce J. Schaller	10/29/2006	3.00	120.00	360.00
Project Manager	Bruce J. Schaller	10/31/2006	3.50	120.00	420.00
Project Engineer	Glenn E. Milkert	10/8/2006	3.00	120.00	360.00
Project Engineer	Glenn E. Milkert	10/15/2006	16.00	120.00	1,920.00
Project Engineer	Glenn E. Milkert	10/31/2006	13.00	120.00	1,560.00
Senior Engineer	Archie M. Andrews	10/22/2006	4.00	110.00	440.00
Eng. Secty	Pamla J. Moser	10/22/2006	0.75	45.00	33.75
Eng. Secty	Pamla J. Moser	10/29/2006	1.50	45.00	67.50
Eng. Secty	Pamla J. Moser	10/31/2006	5.75	45.00	258.75
Subtotal Services			61.50		6,740.00
<b>Expenses</b>					
Mileage	Bruce J. Schaller				240.30
Materials		United Parcel Service			152.35
Subtotal Expenses					392.65
Invoice Total					\$7,132.65

PO # 39845 VENDOR # 4453  
APPROVED *[Signature]* DATE 7/1/07  
ACCOUNT NO./PROJECT \$ AMOUNT  
530-4868-489.40-10 \$ 7132.65  
\$  
\$

16041 Foster \* PO Box 1000 \* Stilwell, KS 66085-1000 \* (913) 681-2881 \* FAX (913) 681-8475  
WWW.SEGAINC.COM FEIN: 43-0981939

Report on Special Investigation of the  
City of Ames Electric Department

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Remit To:  
SEGA INC.  
P.O. Box 801107  
Kansas City, MO 64180-1107

## INVOICE

Invoice Number 009086

Invoice Date December 22, 2006

Payment Terms Net 30 Days

PO Number 032219

Project 03-0277-

Project Desc. CTG Addition

Page 1 of 1

Customer ID AME00301

Donald Kom  
City of Ames, Iowa  
502 Carroll Avenue  
PO Box 811  
Ames, IA 50010

Period beginning 11/01/2006 through 11/30/2006

Ames, IA  
GTI MCC

COPY

Services

			Current Hours	Rate	Current Amount
Project Manager	Bruce J. Schaller	11/5/2006	1.50	120.00	180.00
Project Manager	Bruce J. Schaller	11/12/2006	1.50	120.00	180.00
Project Manager	Bruce J. Schaller	11/15/2006	1.00	120.00	120.00
Project Manager	Bruce J. Schaller	11/26/2006	1.50	120.00	180.00
Project Manager	Bruce J. Schaller	11/30/2006	1.50	120.00	180.00
Project Engineer	Glenn E. Milkert	11/5/2006	10.00	120.00	1,200.00
Project Engineer	Glenn E. Milkert	11/19/2006	5.50	120.00	660.00
Project Engineer	Glenn E. Milkert	11/26/2006	13.50	120.00	1,620.00
Senior Engineer	Archie M. Andrews	11/12/2006	8.00	110.00	880.00
Sr. Eng. Assist.	Rickey L. Kuhns	11/19/2006	2.00	85.00	170.00
Sr. Eng. Assist.	Rickey L. Kuhns	11/26/2006	8.00	85.00	680.00
Eng. Secty	Pamla J. Moser	11/5/2006	5.50	45.00	247.50
Eng. Secty	Pamla J. Moser	11/12/2006	3.00	45.00	135.00
Eng. Secty	Pamla J. Moser	11/15/2006	1.00	45.00	45.00
Eng. Secty	Pamla J. Moser	11/26/2006	6.75	45.00	303.75
Eng. Secty	Pamla J. Moser	11/30/2006	0.50	45.00	22.50
Subtotal Services			70.75		6,803.75

ExpensesMaterials

United Parcel Service 25.81

Subtotal Expenses

25.81

Invoice Total

\$6,829.56

PO # 39059 VENDOR # 4453

APPROVED [Signature] DATE 7/1/07

ACCOUNT NO./PROJECT \$ AMOUNT

530-440-485.40-10 \$ 6829.56 (CHASE PO)

\$

\$

\$

16041 Foster \* PO Box 1000 \* Stilwell, KS 66085-1000 \* (913) 681-2881 \* FAX (913) 681-8475  
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