



OFFICE OF THE INTERNAL AUDITOR
City of Providence

March 15, 2024

Tina Mastroianni
City Clerk
25 Dorrance Street
Providence, RI 02903

Dear Madam Clerk;

Enclosed is a copy of the Forensic Investigation completed by Clifton, Larson Allen, LLP in accordance with Resolution 2023-55, also attached, for the City Council's review.

Respectfully Submitted,

A handwritten signature in blue ink, reading "Gina M. Costa".

Gina M. Costa
Internal Auditor

IN CITY COUNCIL
MAR 21 2024

READ
WHEREUPON IT IS ORDERED THAT
- THE SAME BE RECEIVED.

A handwritten signature in blue ink, reading "Tina L. Mastroianni".
CLERK



RESOLUTION OF THE CITY COUNCIL

No. 55

EFFECTIVE January 29, 2023

WHEREAS, In the spring of 2022 the City's Internal Auditor reported on anomalies in the City's towing contracts; and

WHEREAS, According to the Internal Auditor's report, the vendor State Towing, Inc. was paid \$226,780.00 in fiscal year 2022, compared to only \$2,631.50 for the other towing vendor Colletta's Downtown Auto Service, Inc.; and

WHEREAS, The Internal Auditor's ability to review this anomaly was hindered by false accusations made by the Commissioner of Public Safety Steven M. Pare which were investigated by attorney Lauren V. Iannelli, Esquire whose findings were provided to the City Council in her report, a copy of which is attached to this resolution; and

WHEREAS, Attorney Iannelli agreed with the Internal Auditor's assessment that there were significant discrepancies between the State Towing invoices and the contractual billing requirements which resulted in overpayments that need to be further reviewed.

NOW, THEREFORE, BE IT RESOLVED, That the City Council of the City of Providence does hereby direct the Internal Auditor to hire an independent outside auditor to audit the State Towing contract from fiscal year 2018 to present.

BE IT FURTHER RESOLVED, That, upon passage, a copy of this resolution be sent to the Mayor of Providence.

IN CITY COUNCIL
JAN 19 2023
READ AND PASSED


RACHAEL KELLER, PRESIDENT

CLERK

Effective without the
Mayor's Signature


Tina L. Mastrolanni
City Clerk

CITY OF PROVIDENCE, RHODE ISLAND
Forensic Investigation

March 14, 2023

Prepared by:
CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

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A. Introduction

CliftonLarsonAllen LLP (“CLA”) was retained by the City of Providence, RI, (“the City”) and their Internal Auditor, Gina Costa (“Ms. Costa”), to investigate and review the City of Providence records, policies, and procedures regarding towing, more specifically port tows, and State Towing. On January 28, 2022, the Office of Internal Audit of the City released a report titled “Review of Tow Contracts, Bid by the Board of Contract and Supply” which provided the results of the review of the blanket contract for towing services bid through the Board of Contract and Supply for fiscal years 2020 through 2022. The review found the following:

1. The vendor(s) did not adhere to their bid(s).
2. Accounts Payable at the department level did not refer to the blanket bid for pricing and overpaid the vendor up to \$113,000.
3. Tow slips are incomplete or illegible.
4. The vendor continued to perform duties without a purchase order.
5. The department did not properly manage expenses.
6. Outside departments were able to submit letters and commit funds on behalf of another department.

It was requested that CLA investigate the circumstances surrounding the billings from and payments to State Towing beginning in January of 2019, prior to the COVID-19 pandemic, and through 2022 to determine if there is evidence that indicates the findings identified above were due to possible personal financial benefit to any City representative.

The CLA Forensic Services team is a highly respected and sought-out authority in fraud prevention, detection, and investigation. Our multi-disciplined team is comprised of Certified Public Accountants, Certified Fraud Examiners, professionals Certified in Financial Forensics, Certified Internal Auditors, former law enforcement officers, and private investigators. While other professionals assisted in this matter, the following professionals were primarily responsible for this engagement.

CLA Team Members

Jenny Dominguez, CPA, CFF, CFE, is a Principal in CLA’s Valuation, Forensic, Litigation and Investigations practice. Jenny specializes in forensic accounting, fraud investigations, internal control reviews and assessments, and fraud risk assessments. Jenny has over 21 years of experience assisting attorneys, government agencies, and private companies with proactively protecting against and investigating employee theft, dishonesty, and other financial crimes. She



also delivers presentations on financial fraud trends, fraud prevention, and establishing fraud response programs.

Luke Stahelski, MSA, CFE, PI, is a Manager in CLA's Valuation, Forensic, Litigation, and Investigations practice. Luke specializes in fraud investigations, forensic accounting, and the analysis of economic damages in commercial and intellectual property litigation. Luke has experience assisting companies and attorneys with uncovering fraud and in the dispute resolution process. He has also led teams of forensic accountants as they performed financial restatement investigations and has conducted asset tracing for companies and marital disputes, royalty audits, police evidence audits, risk management assessments and due diligence assignments. Luke is heavily focused and involved in construction contract disputes as well as fraud in the construction field.

Kristen Ternullo, CPA, is a senior in CLA's Valuation, Forensic, Litigation, and Investigations practice. She has over 8 years of public and private accounting experience. She has experience in both individual and corporate taxation, audit, forensic accounting, fraud investigations, litigation support, marital disputes, and the analysis of economic damages.

B. Summary of Findings

As part of this engagement, CLA reviewed the City's policies and procedures related to towing services, and individual towing payments made to State Towing including the available supporting documentation related to the towing contracts. CLA performed an investigation, reviewed policies, and procedures, and analyzed the records kept as part of the City's normal course of business. CLA performed various analyses which are separately described in Section C below. Based on our analysis of the available documents and records, CLA did identify areas where various policies were not being followed, or where there was limited documentation to substantiate the services provided by and payments made to State Towing.

CLA also found areas where the City Charter and Code of Ordinances for purchases were violated, as well as evidence of possible waste.¹ Waste is defined as the thoughtless or careless expenditure, mismanagement, or abuse of resources. Waste also includes unnecessary costs resulting from inefficient or ineffective practices, systems, or controls.² Various payments and settlements paid to State Towing were for services beyond what was included in their approved bid award, and exceeded bid amounts submitted to the City. By not bidding out the additional services associated with the abandoned vehicle tows, the City cannot demonstrate that it paid a fair and reasonable

¹ This demonstrates a deficiency of management within the City, see Section M – Conclusion/Recommendations.

² Definition of Waste: <https://oig.usaid.gov/node/221>.



cost for these services. Additionally, there was little to no underlying documentation provided by State Towing to support the additional costs incurred associated with the abandoned vehicle tows, and it appears that there was little to no effort by management to request this documentation.

CLA noted potential favoritism toward State Towing.³ State Towing was not always the most qualified vendor as they did not have the proper tow equipment/vehicles to perform the various tows that were required.⁴ State Towing did not submit complete bids, and the City did not issue an RFP for abandoned tows until service year FY23. Additionally, after having concerns raised by various individuals within the City between November 2021 and January 2022 regarding the billings from State Towing, there were delayed efforts to issue a new RFP for abandoned vehicle tows.⁵

CLA did not find any evidence of fraud or misappropriation within the City related to the transactions with State Towing, and there was no evidence found indicating that any individual benefited from fraud schemes such as kickbacks related to the towing contracts.⁶ CLA has provided various recommendations for consideration of the City, which are detailed in Section M of this report.

C. Procedures

Below is a list of the procedures performed by CLA:

- 1) Reviewed invoices and tow slips for State Towing and Coletta's for FY2018-FY2022.
- 2) Reviewed various email correspondence.⁷

³ Favoritism in vendor selection occurs when a decision-maker shows preference or bias towards a particular vendor during the bidding process, regardless of whether that vendor is the most qualified or offers the best value.

⁴ This was evidenced by an August 23, 2022 memo from Alejandro Tirado, Purchasing Director, in which he indicates that State Towing does not have the proper equipment for heavy-duty tows.

⁵ The first time a bid was issued for abandoned tows was for the service year FY23.

⁶ Information available to CLA to investigate for kickbacks was limited, as only information available to the City was available to CLA. Evidence of kickbacks often exists only in the vendor's financial data, which was not available to CLA. Information available to CLA was limited to the City's financial data and documents, City emails, public records, and information gathered through interviews. In addition, there were a few individuals with which CLA requested interviews but did not respond to our requests or declined to be interviewed. This included Maureen McManus, Former Councilman Nicholas Narducci, and Former Councilman Michael Correia.

⁷ Ms. Costa requested certain Asana Communication and emails from Jim Silveria, Chief Information Officer ("CIO"). The email correspondence terms searched were, "Tow" and "Contract" together, as well as "Tow" and "Payment" together from 2018 to the date the request was made. The Asana Communication terms searched were "State Towing" and "Tow Contracts." There was only one part of the Asana correspondence received but there were 6,466 emails received by Ms. Costa.



- 3) Reviewed various Asana (the City's internal communication) correspondence.
- 4) Conducted phone interviews with various current and past employees.
- 5) Reviewed documents related to the previous claims and settlements with State Towing.
- 6) Conducted phone interview with the attorney for State Towing (Jackson Parmenter, KSP Law).
- 7) Spoke to and had email correspondence with Michael Kelly ("Mr. Kelly") from KSP Law.⁸
- 8) Reviewed towing bids from FY2018-2023.
- 9) Reviewed Accounts Payable history from FY2018-2023.
- 10) Created a timeline based on when all correspondence occurred (see below).
- 11) Reviewed internal audits and letters conducted by various employees within the City.
- 12) Reviewed the City Charter and Code of Ordinances for purchasing.
- 13) Listened to related Finance Committee and Committee on Claims and Pending Suits meeting minutes.

CLA identified different areas within the policies that were: 1. Inadequate and not fully comprehensive of the services or 2. not being consistently followed by all departments. A summary of the different policy improvements and areas of concern are detailed in Section M, Conclusions/Recommendations, beginning on page 20.

CLA prepared a timeline of key events and conversations during the investigation. See timeline below.

Month	Description of Event
July 2019	Larger vehicles started to be towed by State Towing. Costs associated with dumping and disposal of trash in abandoned vehicles started to be included on invoices from State Towing. The bid award under which State Towing was operating included light duty vehicles and all-terrain vehicles (ATVs) at a flat rate of \$35 per tow, and boats, campers, trailers (and any other items not previously listed) at a flat rate of \$1,150 per tow. State Towing did not provide a bid price for medium and heavy-duty vehicles or miscellaneous equipment.
November 2019	Camera added at Department of Public Works ("DPW"). CLA identified email correspondence between Michael McKenna and Sabrina Solares, explaining the camera was added to try and catch State Towing dumping at DPW, since they were told to stop bringing items there, and State Towing was supposed to dispose of everything themselves.

⁸ Mr. Kelly requested a list of questions for State Towing. CLA has provided Mr. Kelly with the list of questions and received answers, summarized below in section K. KSP Law was the counsel for State Towing during the bid protest dispute.



Month	Description of Event
August 2020	Large increase in costs billed by State Towing to the City associated with disposing of trash and/or miscellaneous items in abandoned vehicles. ^{9, 10}
December 30, 2020	Certificate of Revocation (State of Rhode Island revokes the Certificate of Authority of State Towing to transact business in the state).
June 2021	State Towing's invoice system changed. More detail was included on the invoices to show labor hours and other costs incurred; however, State Towing stopped providing copies of the tow slips with the invoices.
June 30, 2021	Alejandro Tirado, Purchasing Director, expressed concern that State Towing & Coletta bids were the same and that the vendors may be communicating with each other during the bid process (alluding to concerns about bid collusion). (Per Asana communications)
November 18, 2021	<p>Mr. Tirado mentioned to Deputy Commissioner Elaine Richards after the pre-board meeting discussion that the vendor should not be invoicing for anything outside of "lightweight vehicles, ATVS, & boats" since those were the only tows included in the bid from State Towing. Mr. Tirado also stated that State Towing should be billing based on the flat rates provided in their bid. In addition, Mr. Tirado mentioned that the contract is only for towing, so the City has no legal obligation to pay for anything outside of the contract. (Per Asana communications)</p> <p>Ms. Richards' response to this was to add The Commissioner and The Colonel (i.e., the Chief of Police) to the Asana message thread since they oversaw the Port Tows.</p>
November 19, 2021	<p>Former Commissioner Steve Paré responds to Mr. Tirado's concerns and explains that State Towing was engaged for these services since the former Commissioner has been with the City. He further stated that State Towing must be paid because any service provided was requested by the City.</p> <p>Mr. Paré also mentioned in this correspondence that since he has been at the City, State Towing was always engaged since they could not get another company to bid on the RFP and that they have difficulty removing boats, trailers, campers, and abandoned vehicles from the neighborhoods. (Per Asana communications)</p>
November 23, 2021	Mr. Tirado responds to the former Commissioner and points out that Colletta's Downtown was awarded tows for medium- and heavy-weight vehicles, and State Towing was awarded services for light-weight vehicles, ATVs, and boats. ¹¹

⁹ Dumping and disposing became State Towing's responsibility in 2019, but it was not until 2020 that State Towing started charging more than the contracted bid price of \$1,150 associated with various large vehicle tows and the associated dumping labor and fees.

¹⁰ A new bid with State Towing (and other towing providers) should have been developed at this time, since dumping and disposal fees were not included in the original bids.

¹¹ CLA is relying on Mr. Tirado's response in Asana for this information. The bid CLA was provided shows that both Coletta's and State Towing were awarded towing for 2021. It appears CLA was not provided with the complete bidding documentation that provides additional specifics. This was requested from the City of Providence but was never received.



Month	Description of Event
December 28, 2021	Ms. Costa sent an email to Ms. Richards mentioning it was recently discovered that State Towing “has been charging much more than their blanket bid prices” and the payments were “approved through the Police Department, which is under your supervision.” Ms. Costa asked Ms. Richards for an explanation for how this had happened and to determine how much State Towing was over paid. CLA did not find evidence that Ms. Richards ever responded to this email.
2022	Most current/recent tow policy available developed by Mr. Paré (a specific month/day is not listed on the document). This updated tow policy is lengthier and explains in further detail how a tow company can get added to the City’s tow list, as well as removed, and the process for towing abandoned vehicles. This policy also explains how to release a towed vehicle to the rightful owner, and the reporting procedure for vehicles towed. Additionally, it defines which vehicles would be considered abandoned vehicles, the City department responsible for calling in abandoned tows, and indicates that a separate tow vendor is selected through the Providence Board of Contract and Supply for the sole purpose of processing abandoned vehicles.
January 28, 2022	The Office of Internal Audit of the City released a reported titled “Review of Tow Contracts, Bid by the Board of Contract and Supply” which provided the results of the review of the blanket contract for towing services bid through the Board of Contract and Supply for fiscal years 2020 through 2022. The report identified several deficiencies with respect to the bidding, billing, and payments related to tow services.
February 7, 2022	A letter is sent by The Office of Internal Audit to Mr. Paré requesting the State Towing contract and specifications for the special tows (port tow fees) billed by State Towing.
March 24, 2022	Committee on Finance regular meeting where State Towing and Ms. Costa’s audit report was discussed in detail, and Chairwoman Jo-Ann Ryan stated the City needed to immediately go out to bid for port tows.
April 25, 2022	The City sent out a request for proposals for FY2023, and this included abandoned vehicles otherwise referred to as port tows.
May 10, 2022	A letter is prepared by the Department of Public Safety, police department to the Chairman of the Board of Contract and Supply requesting approval to pay State Towing \$308,951 for port tows (abandoned vehicle tows) in fiscal year 2022. The letter stated that the “department is responsible for the enforcement of the towing of abandoned vehicles, boats, trailers, and large commercial vehicles from City streets. The towing of these abandoned vehicles, trucks and boats when combined with the disposal costs are not incorporated into the current city blanket contract for towing.”
August 21, 2022	Mr. Tirado wrote to Ms. McManus, Ms. Richards, and Mr. Paré after the tow evaluations were submitted that Colletta’s, Eastern Recovery, and Vazquez Electro Auto were disqualified since they did not bid on all items. Dave’s Towing received the lowest score out of qualified tow companies, next was Sterry Street, and then State Towing was the highest scoring vendor. Mr. Tirado communicated this information via Asana on the task thread called “Towing Services Evaluation.” Mr. Tirado said, “Per our solicitation, we can award more than one vendor, would it be in the best interest of the City to split the award between Sterry Street and State Towing?”
August 22, 2022	Mr. Paré recommended State Towing and said, “splitting it between two vendors would not be in the best interest of the City based on operational efficiency, vendor capacity, and clarity.”



Month	Description of Event
August 23, 2022	Mr. Tirado wrote a memo to Alex Miller, COO, evaluating all the tow companies that bid and which ones were unqualified based off their bids. Mr. Tirado mentioned in this memo that State Towing could not provide all tows (such as heavy-duty vehicles) since they did not have the necessary equipment and would therefore be unqualified. ¹² There were a few different alternatives to awarding the tows. The alternatives suggested were to: 1. Award the contract to Sterry Street since they had capacity to provide all tows/services, 2. Reject all bids and go out to bid again, 3. Discuss with the Law Department about awarding State Towing and Sterry Street for different tows, and 4. Discuss with the Law Department about awarding State Towing and Coletta's.
September 28, 2022	Committee on Claims and Pending Suits regular meeting, where the claim/settlement with State Towing vs. the City of Providence was announced. There was not much discussion at this meeting about this topic. It was approved on an "aye" from Nicholas Narducci, Michael Correia, and Helen Anthony, and "abstained" by James Taylor.
October 4, 2022	Captain Luis San Lucas wrote a letter addressed to Mr. Paré providing the results of an audit of State Towing invoices submitted for the period June 2021 through October 2022. The letter communicated that various tows billed by State Towing could not be confirmed to the City's Channel 4 communications tow logs, which resulted in discrepancies of approximately \$88,733. More specifically, this is the date listed at the top of the letter written by Cpt. San Lucas. According to the emails identified by CLA, the letter was not emailed until about one month later (November 7, 2022).
October 13, 2022	The letter for the recommended bid acceptance for FY23 was submitted for signature. The bid recommended State Towing for all tow services except port tows, and Sterry Street for port tows. This was signed by Acting Director of Public Property, John-William Moore, and Director of Public Works, Leo Perrotta. CLA believes this document was signed by Mr. Moore and Mr. Perrotta after October 14, 2022 when Mr. Paré refused to sign the bid acceptance. October 13, 2022 is the date on the bid acceptance document, but the signers did not indicate the dates they signed the document.
October 14, 2022	Additional discussion took place in the same Asana task thread called "Towing Services Evaluation." After more information about State Towing's capacity and availability of equipment was discovered per the letter on August 23, 2022, Mr. Tirado asked Mr. Paré if he could sign the award letter for FY23. Mr. Paré declined to sign and said, "this is not my recommendation." Per CLA review, this appears to be the end of the Asana thread discussion.
October 24, 2022	During the Board of Contract and Supply meeting, the FY23 contract was awarded to both Sterry Street and State Towing.
October 18, 2022	City pays first State Towing claim of \$308,951.
November 7, 2022	The letter prepared by Cpt. San Lucas regarding the audit of State Towing invoices is sent to Margaret Botelho, Mr. Paré's Administrative Assistant, and Joseph Migliaccio, Director of Communications. CLA did not locate within the email data provided an email response to the letter. Through various interviews with City employees, no one claimed to have heard of or seen the letter.
December 2, 2022	Letter of Good Standing. (Reinstatement of revoked Corporate Charter for State Towing).

¹² Between August 21, 2022 and August 23, 2022, Mr. Tirado became aware that State Towing did not have the proper equipment to provide all tows, such as heavy-duty vehicles. This was not disclosed in State Towing's bid documentation.



Month	Description of Event
July 17, 2023	New “bid map” developed by the City. This bid map explains the process of bidding, starting from bids from many vendors and going through the full process, through the Board of Contract and Supply (“BOCS”) approval, and ending at how the City should select the best vendor bid and PO (if applicable).

State Towing Settlement Timeline - \$166,158.50

Date	Description of Event
November 7, 2022	Letter (Bid Protest) sent from KSP Law to City Solicitors.
January 25, 2023	Michael Salvatore Deposition.
January 25, 2023	Mr. Correia (Ward 6) Deposition.
March 15, 2023	Ms. Costa was deposed in the settlement case between the City of Providence and State Towing.
May 16, 2023	The City paid settlement - \$166,158.50.

D. Interview with Alejandro Tirado

Date of Interview: July 12, 2023

Subject Interviewed: Alejandro Tirado
Director of Purchasing
The City of Providence, RI 02901
Phone (401)-421-7740 ext. 264

On July 12, 2023, Kristen Ternullo and Luke Stahelski of CLA had a phone interview with Alejandro Tirado (“Mr. Tirado”) to gather an understanding of how the purchasing department is involved in tow bidding and contracts, as well as what understanding Mr. Tirado had with the past claims and settlements with State Towing. Mr. Tirado explained he is the purchasing director, and he oversees the procurement process of the City. Mr. Tirado has been in this position since 2020. Mr. Tirado mentioned there were two processes for approvals, one for daily requisitions and one for approvals over 5k and 10k. During the interview, Mr. Tirado mentioned that there were issues he was aware of with the tow contracts with State Towing and with the amount billed being much greater than what was budgeted. He mentioned that even when concerns were brought up, it was ultimately decided that the invoices needed to be paid, since State Towing had done the work. Mr. Tirado understood that this decision was made by the Solicitor’s office.¹³ In conclusion of the interview, Mr. Tirado ultimately did not suspect any wrongdoing within the City, just preferences

¹³ See Section F for interview with the Solicitor’s office.



toward State Towing.

E. Interview with Elaine Richards

Dates of Interviews: July 27, 2023 & September 19, 2023

Subject Interviewed: Elaine Richards
Deputy Commissioner
The City of Providence, RI 02901
Phone (401)-243-6222

On July 27, 2023, Jenny Dominguez and Luke Stahelski of CLA interviewed Deputy Commissioner Elaine Richards (“Ms. Richards”) via Microsoft Teams. Ms. Richards worked directly with Former Commissioner Steven Mr. Paré (“Mr. Paré”) at the time of the tows in question. The interview discussed the bidding, vendor, and invoice approvals within the City. Ms. Richards has been the Deputy Commissioner of Public Safety since 2017. Ms. Richards specified her general responsibilities which included working under the police, Mr. Paré, and public safety. Ms. Richards said she did not have a role with towing contracts and that the former Commissioner used to monitor the City tow list per the City Ordinance. It was mentioned that prior to FY23 invoices for tows were sent to the individual public safety offices. Ms. Richards also mentioned that FY21 was when the spike happened in the tow invoices, and that the City did not know until the end of the year because that is when State Towing submitted all their invoices, instead of submitting invoices throughout the year.^{14,15} Ms. Richards did not know much beyond that, such as who would have given approval of the tows and invoices, what the rates were, etc., but she did mention that there were flaws in the RFP. One of these flaws being that there were not disposal fees or rates included in the bid.¹⁶ Ms. Richards mentioned that after invoices came in, the conversations around invoices or bidding would have been with Mr. Paré, and she was not involved in this. In addition, she mentioned DPW set up cameras to ensure that the towing companies would not dispose items from abandoned vehicles in their lot.¹⁷ Currently, going into FY23 as outlined by Ms. Richards, there is a new RFP and State Towing has a new system so the invoices provide more detail for the costs associated with each tow; however, State Towing

¹⁴ CLA attempted to verify the frequency of invoices with State Towing but did not receive a clear response to this inquiry. Additionally, CLA reviewed the invoice dates and found that the invoices are usually generated in June, which is the last month of the fiscal year for the City. The invoices were often for tow services provided from a few months prior to up to one year prior.

¹⁵ CLA has confirmed the spike in tow amounts invoiced via analysis.

¹⁶ This has since been rectified, see section M.

¹⁷ CLA has seen emails for evidence of the cameras being added.



stopped providing copies of the tow slips along with the invoices.¹⁸ Overall, Ms. Richards had no concerns about the legitimacy of the tows, and she only mentioned these issues arose since not all aspects of the tows (i.e., disposal fees) were covered in the bid.

On September 19, 2023, CLA conducted a second interview with Ms. Richards. The interviewers were Jenny Dominguez, Kristen Ternullo, and Luke Stahelski. During this call it was confirmed by Ms. Richards that she never received or saw a letter from Captain Luis San Lucas (“Cpt. San Lucas”) (the letter explained differences and anomalies in towing records).¹⁹ Ms. Richards was also not part of the settlement discussions with State Towing & the City, but Ms. Richards did have some discussions with State Towing regarding invoices they had sent. Ms. Richards stated that they told State Towing to adjust their bills as they were billing incorrect amounts related to the towing of certain vehicles. The bills were then corrected but this is all the information CLA received from Ms. Richards.

F. Interview with Jeffrey Dana and Michael Calise

Dates of Interviews: August 10, 2023 & September 7, 2023

Subject Interviewed: Jeffrey Dana & Michael Calise
The City Solicitors Office
The City of Providence, RI 02901
Phone (401)-272-3121

Jeffrey Dana (“Mr. Dana”) and Michael Calise (“Mr. Calise”) were interviewed both individually and together by Jenny Dominguez, Luke Stahelski, and Kristen Ternullo. Mr. Dana and Mr. Calise both work in the City Solicitor’s office. Their role in the City Solicitor’s office is to deal with the various legal matters within the City, including any claims made or lawsuits filed against the City. Regarding the invoices in question, they informed CLA that the City Solicitor’s office does not review the invoices themselves or make a determination on the amount that should be paid to the vendor. They rely on the department that was responsible for the work to indicate what work was performed by the vendor. In addition, neither had seen the tow discrepancy letter from Cpt. San Lucas.²⁰ CLA asked about both settlements, and Mr. Dana or Mr. Calise stated that they usually pay what is due and neither of them recalled any sort of reduction in the fees since the work had

¹⁸ CLA suggests requesting more back up from State Towing, such as receipts from disposals, etc., to support what State Towing is billing the City. This should be applicable for all tow vendors billing anything other than fixed rates per the bid/contract.

¹⁹ See section G for Cpt. San Lucas interview.

²⁰ The letter pertained to anomalies between what State Towing claimed they had towed via their invoices and what was logged in the City’s Channel 4 Telecommunications tow records.



been completed. Therefore, their legal position was that State Towing had to be paid for their services as the former commissioner's office had represented that the work was performed. Any settlement amounts to be paid by the City would be provided to the City Solicitor's office by the respective department responsible for the vendor, and the City Solicitor would rely on this number.²¹

G. Interview with Captain Luis San Lucas

Date of Interview: August 24, 2023

Subject Interviewed: Captain Luis San Lucas
Police Department
The City of Providence, RI 02901
Phone (401)-421-7740 x333

Cpt. San Lucas was interviewed on August 24, 2023. Cpt. San Lucas has been employed with the City for more than 20 years and has been in the traffic division since late 2019. One of his responsibilities was to oversee the tow list. Cpt. San Lucas stated that to be added to the tow list you must apply through the Commissioner's office.

According to Cpt. San Lucas, Ms. Richards requested a review of the tows billed by State Towing. Cpt. San Lucas, with the help of members from the Channel 4 Telecommunications team, completed this review of certain State Towing invoices by comparing backup documentation (Channel 4 Telecommunications tow logs) to towing invoices submitted by State Towing. The State Towing tow slips and invoices were traced back to Channel 4 tow logs to determine whether all the tows invoiced were going through the correct channels and authorizations and that there was evidence of the tow. Cpt. San Lucas mentioned all port tows must be called in via Channel 4. This review was completed, noting some missing documentation and a few deficiencies. For example, the review concluded that some tows could not be verified. The cost of the tows billed by State Towing that could not be verified against the City's tow logs totaled \$88,733. This review was then communicated with a letter addressed to Mr. Paré and sent by email to Margaret Botelho ("Ms. Botelho"), Mr. Paré's Administrative Assistant. Cpt. San Lucas indicated that no one followed up with him after the letter was sent. During the interviews conducted, CLA attempted to find out who had received and read this letter. CLA asked Ms. Richards, Mr. Calise, Mr. Dana, and Mr. Paré, but no one claimed to have seen it. After further review it appears nothing was done

²¹ The City should establish a policy to require the Solicitor's office or another internal employee to verify there is valid and sufficient support that demonstrates the goods or services were provided before approving or proposing a settlement payment.



or communicated back to address these questions and deficiencies.²² Lastly, Cpt. San Lucas spoke to John Abatiello (“Mr. Abatiello”), the police officer in charge of the tows, but due to his leave of absence, not much could be confirmed directly from him. Upon Mr. Abatiello’s return, he reached out to State Towing to try and gather additional documentation (i.e., more paperwork, VIN or license plate number, etc.) to help verify the tows not in Channel 4’s tow logs; however, State Towing did not provide more documentation.

H. Interview with Former Commissioner Steven Paré

Date of Interview: October 6, 2023

Subject Interviewed: Steven Paré
Prior City Commissioner
The City of Providence, RI 02901
Phone (401)-874-9141

An interview with Mr. Paré was conducted on October 6, 2023 by Kristen Ternullo and Luke Stahelski via a Microsoft Teams call. Mr. Paré explained about his role when he was working at the City. Mr. Paré started at the City in 2011 and towing fell under his responsibility. At that time there were about 13 to 14 tow vendors but there was no contract or RFP in place, just a service agreement. At some point, the list was shortened to about 10 to 12 vendors and, at this point, the port tows did not fall under his department.²³ The DPW was handling the port tows, but at one point²⁴ that shifted to State Towing disposing of all debris,²⁵ and this was about the time that the port tows started to fall under his job title. Mr. Paré recalled that they tried to issue an RFP for the work, but there were not too many tow companies who wanted it because it was a lot of work and did not make the tow companies a lot of money. Mr. Paré mentioned that State Towing seemed like the only option, so they received the job of the port tows. Mr. Paré did not remember much about the pricing or the settlements and claims with State Towing. Mr. Paré also did not recall any letter from Cpt. San Lucas regarding the audit of the tow invoices and resulting discrepancies. In conclusion, he said that he never saw or suspected anything criminal or anyone trying to take advantage, and, if he had, he would have immediately done an investigation. He believed the real

²² This demonstrates a significant miscommunication issue within the City, see Section M – Recommendations.

²³ Based on a news story on “10 WJAR” from February 2, 2022, Providence City Council President John Igliozi stated, “The commissioner is in charge. It’s his contracts. It’s his primary job to oversee those tow contracts. It’s his department that overpays them. So, their job is to follow the contract, follow the law.”

²⁴ Mr. Paré did not remember this date but per CLA research it was around September of 2019.

²⁵ CLA attempted to confirm with State Towing the timeline of them taking over responsibility for disposal of trash as well as what was communicated to them by the City with regard to how the fees would be handled. The response received can be found in Section K of this report.



issue of the towing contracts was political divide among the councilmembers. In the end, there was poor communication and some arguments between the councilmembers and the City, in addition to poor paperwork and invoices, causing the issues with the City and State Towing.

I. Interview with Councilman James Taylor

Date of Interview: January 12, 2024

Subject Interviewed: James Taylor
City Councilman
The City of Providence, RI 02901
Phone (401)-874-9141

An interview with Councilman James Taylor (Councilman Taylor) was conducted on January 12, 2024, by Kristen Ternullo, Luke Stahelski, and Jenny Dominguez via a Microsoft Teams call. Councilman Taylor provided an overview of his role and his length of time as a councilmember. Councilmember Taylor also explained to CLA his understanding of the process for tows, and then discussed various text messages that Councilman Taylor sent to the owner of State Towing, Mr. Salvatore. These text messages were an exhibit in the bid protest filed by State Towing against the City. To gather context, CLA asked Councilman Taylor about the text images located in Exhibit 2, and he explained that this was a one-time occurrence. Before this day, he did not even have Mr. Salvatore's number. Councilman Taylor mentioned he had received his number from Mr. Correia. Councilman Taylor mentioned that he contacted the police regarding an abandoned RV, and the police told him the campers were being used for drugs and prostitution and they needed to be towed. He asked the police officer, who was close to a shift change if he could call Mr. Salvatore to see how long it would take for him to tow the vehicles. Councilman Taylor said he spoke with either Mr. Salvatore or his dispatch, and they requested he send a picture of the vehicle so they could determine the size to send out the proper tow vehicle. There was some conversation and confusion as to who would pay for the tows but in the end, the owner of the lot where the campers were located, said he would pay if the City would not. All conversations besides the text located in Exhibit 2 were verbal.²⁶

CLA also asked various questions about the texts requesting donations, and Councilman Taylor mentioned this is a typical form of communication. He holds a fundraising event every year he is up for re-election, and he mails out some letters to let people know about the event and then also

²⁶ Councilman Taylor indicated that he tried to access these communications on his phone, but too much time had passed, and they were no longer available.



texts information about the event to about 100 of his contacts.²⁷ Later in the text chain, there was a text saying, “did my guy get it.” CLA asked Councilman Taylor about this, but he could not remember what this message was referring to.

Later in the interview, CLA inquired about the tone throughout the city council related to State Towing. Councilman Taylor mentioned it was a tough time because it was when several members were up for re-election, and half the councilmembers were leaving, so they did not seem to care too much about what was going on in the City or at the meetings.

Councilman Taylor discussed the issues with State Towing, and he said he did not suspect anything until he started to see the receipts and how the receipts were not descriptive about the tows or cost of the tows. Overall, Councilman Taylor felt that that State Towing did an inadequate job by not providing detailed invoices, and the City did a poor job by accepting those invoices, and he would fault them fifty-fifty (both parties’ faults). He felt the City should have questioned the invoices more and asked for more details. He also mentioned that Mr. Paré and Ms. Richards were both invited to various Finance Committee meetings to explain and discuss the State Towing invoices as well as the pending suit from State Towing that was eventually settled, and they never showed up. This caused issues when Mr. Dana was explaining the settlement, because the councilmembers had questions, but there was no one present to answer or discuss the questions, and there was also no rationale of how the amount of the settlement with State Towing was arrived at. The way the settlement was handled caused a lot of worry and confusion with Councilman Taylor since he had seen claims plenty of times come through the committee; they were never anything of this size and never settled this quickly. In the end, this is why he agreed with Ms. Costa to call for an audit of State Towing to be done.

Lastly, CLA asked if Councilman Taylor was aware of the review performed by Cpt. San Lucas, and he mentioned he did not know about it at the time and had learned about the review by Cpt. San Lucas at a later time through Ms. Costa.

Overall, CLA does not see any evidence of wrongdoing by Councilman Taylor and believes the texts located in Exhibit 2, but originally found in the bid protest, may have been taken out of context or misrepresented.

²⁷ Since he did not know Mr. Salvatore well, and this was the first year he had his phone number, this was the first year he sent a text to Mr. Salvatore regarding this topic.



J. Other Interviews with City of Providence employees and councilmembers

Dates of Interviews: Various Dates

Subject Interviewed: Miscellaneous employee interviews
The City of Providence, RI 02901

To find out as much information as possible on the City's procurement process as well as towing policies, CLA spoke with a few others from the City, including Derek Silva ("Mr. Silva"), who is Chief of the Fire Department. It turns out Mr. Silva was not very involved in tows since the Fire Department does not tow often, so not much information was provided by Mr. Silva.

CLA also spoke with Emily Neves ("Ms. Neves"). Ms. Neves performed the audit of the invoices from State Towing that resulted in the letter from Cpt. San Lucas. Ms. Neves has been employed with the City for many years but has only been in this specific position with the City for two years and was not familiar with any of the contracts or fees that had occurred in years past and was only aware of the current process for calling in tows. Ms. Neves did mention, like Cpt. San Lucas, that when the audit was being completed, some of the tows billed by State Towing could not be verified against the Channel 4 tow logs. When Ms. Neves was doing the audit, she mentioned that about 80 percent of the tows could be verified and about 20 percent could not be verified (Ms. Neves indicated that this was a rough approximation). She also mentioned that on October 28, 2022, policies were changed to include the report number in Channel 4's tow book, which will make tows easier to verify.

CLA spoke to Jon Martin ("Mr. Martin") and Amanda Pontarelli ("Ms. Pontarelli") who both work in the public property department. They mostly work internally by supporting all the internal departments. Mr. Martin sits on the Board of Contract and Supply as a voting member. Mr. Martin is relatively new to this position and did not have direct knowledge about the State Towing settlements being brought to the Board for approval. Mr. Martin explained that he helped design a new vendor approval process for the public property department to follow. Mr. Martin explained that in the past the vendor approval process was more "loose" and more confrontational, but now it is much better, organized and more collaborative. He has since sat in some "Lessons Learned" meetings to discuss how they could prevent this from happening again.

CLA also interviewed Karen Gomez ("Ms. Gomez") who is the Financial Administrator of the Department of Public Works ("DPW"). She was interviewed in hopes of gathering more information on the payment of tows and how paying of invoices and bidding works with the various vendors. Ms. Gomez had only been in this current position with the City for two months prior to the interview. Ms. Gomez mentioned that bids are sent out by the whole city and not by DPW itself. In conclusion of the interview, she has not heard of any issues with State Towing.



CLA attempted to interview with Maureen McManus (“Ms. McManus”), Deputy Director of Public Works, but has received no correspondence back. The purpose of this interview would have been to confirm (1) when DPW implemented the policy to now allow tow vendors to dump trash from vehicles towed and (2) get a rough approximation of the volume of trash and other items previously dumped at the City before this new policy to help assess the volume of related fees charged by State Towing to the City.

Additionally, CLA attempted to interview Mr. Correia. Mr. Correia was a member of the Claims Committee during this time, and it was conveyed to CLA that he had a close relationship with Michael Salvatore at State Towing and put pressure on certain City employees to pay State Towing’s invoices. CLA called Mr. Correia to schedule a time for an interview. Mr. Correia stated that he did not have much to say on the topic because he had little involvement in the State Towing settlement discussions; the only time he was involved in discussions on the matter was during Executive Session and he was not permitted to discuss with the public topics discussed during Executive Session.

Per recommendation from Councilman Taylor as well as information discovered in the board minutes, CLA attempted to meet with Former Councilmember Nicholas Narducci (“Mr. Narducci”). CLA scheduled a Microsoft Teams meeting; however, Mr. Narducci did not join the meeting, and CLA was unable to communicate with him to schedule another meeting time.

K. Interview with KSP Law and State Towing

CLA interviewed Jackson Parmenter (“Mr. Parmenter”) from KSP Law, which is the law firm that State Towing engaged with for the settlement discussions. Mr. Parmenter represented State Towing in the settlements and claims with the City. He also wrote up the bid protest and exhibits related to these settlements, which CLA has since received. A lot of the questions asked during the interview he could not remember in full, and he referred CLA to the bid protest.²⁸ CLA also created a list of questions for State Towing that were provided to Mr. Parmenter on October 3, 2023. CLA followed up with Mr. Parmenter three times to inquire about responses to the questions; however, Mr. Parmenter has not responded to any of CLA’s follow-up inquiries.²⁹

On January 30, 2024, CLA was contacted by Mr. Kelly of KSP Law, who worked on the State Towing bid protest dispute. Mr. Kelly provided a written response to the questions CLA originally

²⁸ CLA has since received a copy of the bid protest.

²⁹ See Exhibit 1 for interview questions sent.



sent to Mr. Parmenter (see Exhibit 1). The questions and responses are summarized below:

Question: How did State Towing receive tow requests?

Response: State Towing received requests through the City's communications channel, and, in this case, there would generally be a log of the call. However, Mr. Kelly mentioned that the Providence Police Department was informal about their tow requests and many times a supervisor would personally come to State Towing and request a tow out of their division. Under these circumstances a record of the request would not exist. If State Towing received a direct communication related to a City tow, they would usually try and instruct the individual to go through the proper channels; however, that did not always happen as shown in Exhibit 2.

Question: How frequently did State Towing send invoices to the City?

Response: There was no formal timeframe for sending invoices to the City for payment; however, at some point in 2021, State Towing started using a software program to generate statements and this was suggested by the Providence Police Department to create a more detailed description of the tow services provided.

Question: When did State Towing become responsible for disposing of items inside towed vehicles?

Response: State Towing was responsible for disposing of items in abandoned vehicles including large campers, box trucks, and boats. These abandoned vehicles were often littered with debris, chemicals, drug paraphernalia, and personal items, many of which cannot be disposed of without significant costs and proper safety precautions being maintained. State towing was receiving a significant amount of these calls during the Covid-19 pandemic as the City apparently saw a rise in abandoned vehicles/boats/trucks that needed to be removed from streets and public areas. Additionally, a change in City policy required State Towing to incur more of the costs of disposing of large vehicles. DPW changed its policies and no longer accepted the large vehicles for disposal, requiring State Towing to incur these costs. State Towing communicated the issue of substantial additional costs to Mr. Paré. This communication was during an in-person meeting with Mr. Paré, who assured State Towing that they would be reimbursed by the City for the additional costs incurred for removing/disposing of these items. Although Mr. Paré has since retired, our office reached out to him during litigation between State Towing and the City and he confirmed over the phone that he authorized State Towing to continue to bill for the additional costs and that the City would pay. Mr. Paré was adamant that he authorized State Towing to continue to bill the City for any



additional work related to disposing of large vehicles and the materials left inside them.³⁰

Question: When was the change of billing systems for State Towing that resulted in removing tow slips and creating only invoices?

Response: State Towing changed their internal system in 2021 to create detailed invoices for the City Tows. Based on the significant costs being incurred related to the abandoned vehicles, State Towing adopted the new system in order to itemize all the costs and provide the City with a detailed explanation of the costs related to these tows.³¹

Question: Did State Towing use a 3rd party to dispose of the items or was it all internal labor? Can State Towing provide receipts, timecards, or other support to evidence the additional costs incurred?

Answer: State Towing used a machining company, VRV Enterprises, to dispose of the larger items from abandoned Tows. State Towing does not have the records related to payments made to VRV Enterprises as many records were lost when their storage was flooded.

Question: Is there documentation for every tow that was done by the City?

Answer: All the tows done for the City had invoices created that were sent directly to the City. Those invoices were stored in electronic form after 2021 when State Towing had the new software implemented.

Question: What is the process for State Towing to document a vehicle that does not have a license plate but needs to be towed?

Answer: Most abandoned vehicles that State Towing was called to tow had no license plate and/or had a removed vin number. When State Towing was called to tow an abandoned vehicle, it did so based on the request of the police department.

Question: What invoices/statements/tow dates make up the second settlement payment of \$166,158.50?

³⁰ During CLA's interview with Mr. Paré, he did not mention any of this communication alleged to have occurred between him, State Towing, and KSP Law.

³¹ CLA recommends there being a tow slip as well as a detailed invoice provided to the City for all tows. (Recommendation 2, Section M)



Answer: All the statements/invoices for the second settlement were provided to the City.³²

L. Observations and Summary of Investigation

During the investigation, there were a few issues CLA discovered. The issues CLA found were as follows:

1. Abandoned Vehicle Tow Contract RFP's Needed Additional Details
 - a. At the time when Mr. Paré became commissioner, the RFP and bids to select a vendor for the abandoned vehicle tow services did not adequately cover additional fees associated with abandoned tows billed by State Towing. Prior bids for abandoned tows were flat fees, and the Department of Public Safety was delayed in issuing a new RFP until there was pressure to do so due to concerns raised regarding State Towing's invoices to the City for abandoned tows. When a more detailed RFP was issued and a policy was developed and implemented for the abandoned tow contracts, the bid detail requested was insufficient and did not incorporate all line-item costs incurred by the City (i.e., disposition of trash and other miscellaneous items such as labor).
 - b. See Section M conclusions/recommendations for an update on this process.
2. Various individuals called the tow companies directly rather than going through proper protocols (Channel 4).
 - a. It seems that some councilmembers and the Providence Police Department contacted State Towing directly for tows in their ward, bypassing the proper Channel 4 telecommunications process. This led to insufficient documentation in the City's tow logs to verify tow activities for which it was billed. State Towing has suggested that Councilman Taylor texted the owner of State Towing to remove a vehicle in one instance, which was found in the bid protest exhibits submitted by State Towing; however, Councilman Taylor refutes the nature of this text exchange. Based on various statements made during interviews, it has been suggested that other councilmembers were also requesting tows outside of the required process. An excel spreadsheet provided by MaKenzie Pratt ("Ms. Pratt") and shared with Ms. Costa shows a large number of abandoned vehicle tow requests called in by Mr. Correia and only a few from Councilman Taylor.
 - b. There was no evidence of personal financial benefit to any councilmembers or City

³² The City of Providence has been unable to provide these invoices to CLA.



employees based on any possible favoritism toward State Towing.

3. An internal review was performed to verify tows billed by State Towing matched to the tow logs kept by Channel 4 telecommunications, which resulted in discrepancies of \$88,733 in tows billed to the City. There appears to have been no follow up on this discrepancy, nor was this information considered when negotiating settlements with State Towing.
 - a. Cpt. San Lucas and Ms. Neves completed a review of various tow invoices, tow slips, and attempted to verify these items to the specific Channel 4 calls. They discovered various tows billed by State Towing, in particular port tows (i.e., abandoned vehicle tows), that could not be verified against the tow call logs. A letter was emailed to Ms. Botelho, assistant to Mr. Paré, and Mr. Migliaccio, Director of Communications, summarizing the findings from the internal review of State Towing's invoices. Questions from this letter were never answered internally, and no one interviewed and questioned regarding this letter claimed to remember seeing this letter.³³
 - b. According to Cpt. San Lucas, Mr. Abatiello reached out to State Towing to request additional documentation to support the tows that could not be verified against the City's tow logs; however, no additional documentation or support was provided.
4. It was communicated to CLA that State Towing billed the City at the end of the year for all tows performed in that fiscal year.
 - a. State Towing sent invoices for the full year at the end of the year.³⁴ This made it difficult for the City to verify the details on each invoice and promptly request corrections for any issues identified. It also did not allow for the City to see the significantly higher costs incurred for port tows throughout the year, which did not afford the City the opportunity to ask questions or intervene until the invoices were submitted at the end of the year. See Section M for an update on this process.
5. Invoices from State Towing were revised in fiscal year 2022 to include more line-item detail of the costs incurred for each port tow but eliminated copies of tow slips previously provided. Overall, the billings to the City were insufficient to demonstrate the services performed and costs incurred by State Towing in towing abandoned vehicles.
 - a. The original State Towing invoices did not show any details of the tow disposal

³³ With the exception of Cpt. San Lucas and Ms. Neves, who brought this letter to CLA's attention.

³⁴ CLA found that the majority of invoices were submitted in June, which is the end of the fiscal year for the City, and between a few months to one year after the tows occurred. Only a few invoices were submitted within a short period after the tows occurred.



fees. Invoices have since been updated to show line-item costs associated with disposal fees but does not include any receipts³⁵ or other supporting documents for labor time and out-of-pocket costs incurred (i.e., tipping fees) on disposals. The lack of supporting documentation for the costs incurred by State Towing prevented the City from verifying that it was paying State Towing an appropriate amount for each tow, particularly because there were no contracted rates for the port tows or additional related costs incurred.

- b. No one from the commissioner's office nor the solicitor's office requested that State Towing provide supporting documentation (i.e., tipping receipts, timecards, etc.) for the tow costs incurred before agreeing to pay the settlement payments.
 - c. At the time of billing the City, State Towing did not include third-party invoices or payments as support for the costs billed to the City, and the invoices did not indicate that any part of the fees being billed were related to costs incurred by and paid to a third-party (i.e., VRV Enterprises).
6. State Towing invoices contained illegible tow slips with minimal detail.
 - a. When the State Towing invoices did contain tow slips as backup, the tow slips were often difficult to read and did not show any detail besides a pick-up location and vehicle description. There was no information or support for disposal fees.
7. There was a period of time in which State Towing was not in good standing with the State yet was still providing services to the City.
 - a. CLA discovered that between December of 2020 and December of 2022, State Towing was not in good standing with the State, because of not filing their annual report, and the City was still using them for towing services.³⁶
8. Certain sections of the City Charter and Code of Ordinances for purchases were not followed.
 - a. Sec 21-26 states, "any and all contracts entered into by The City of Providence, must be first approved by the Providence City Council in any of the following circumstances: Any change order constituting an increase of twenty (20) percent or more over the original bid amount or one hundred thousand dollars (\$100,000.00), whichever is the lesser." During the time that State Towing was contracted, they began billing a "per vehicle" tow charge greater than twenty

³⁵ CLA tried to confirm with State Towing if they had any receipts or had sent any receipts to the City. CLA submitted questions to State Towing through its attorney. As of this letter, CLA has not received a response.

³⁶ Per the City Tow Policy "a company shall not be considered unless they hold a certificate of good standing."



percent more than the bid amount. This price increase should have been taken to the Board of Contract and Supply for review and approval before payment was made to State Towing.

- b. Sec 21-47 – Form and manner of submission of claims by vendors, mentions vendors must submit itemized invoices for payment specifically stating manhours worked, materials used, hourly labor charge, and cost of each material. When State Towing began billing above the set tow rate in the original bid, the invoices did not itemize the manhours worked, hourly labor charge, materials used, or costs of each material.
9. Based on statements made by Mr. Paré and Ms. Richards, State Towing was providing additional services related to abandoned tows, and those services were not covered by their existing contract.
- a. CLA listened to the March 24, 2022, Committee on Finance meeting, at which there was a long discussion on Tow Contracts, including abandoned tows, with both Mr. Paré and Ms. Richards present.

Councilman Taylor started by asking various questions of Mr. Paré, which was then followed by Mr. Narducci asking various questions. Mr. Narducci commented that, based off the internal auditor's report, it does look like "somebody did something wrong, or somebody is trying to pull something over somebody's eyes," even if that was not the case. More specifically, he asked Mr. Paré, "How did we okay tows that high to be paid?" Mr. Narducci said someone "dropped the ball" and he wanted to thank the internal auditor for getting it to this point. Mr. Narducci pointed out that the City was billed \$90,000 in one month for abandoned tow services and discussed how this effects the taxpayers. Various councilmembers then asked why the City was being asked to pay more than the bid amount. Mr. Paré's and Ms. Richards' response claimed that these issues occurred because there was no bid out for port tows, the current contract does not cover port tows, and there is no maximum currently that State Towing can charge for port tows.

It was asked why the breakdown of prices are not included in the invoice, and Mr. Paré mentioned that about one year prior, they called the vendor in for more specific accounting of these tows, including the property and debris billed in these tow invoices. Mr. Paré stated that he and Ms. Richards reviewed the invoices, and he did not believe State Towing was charging fees higher than what State Towing actually towed.

Later in the meeting, it was stated by Ms. Costa that the port tows are a different issue that the City needs to resolve, and there needs to be a contract with a cap on



it. Prior to the bid/award for FY23, neither of the earlier bids mentioned port tows or abandoned vehicle tows specifically and instead used the general term “towing services.” Finally, the Treasurer weighed in and stated there is a City ordinance that states there must be an itemized bill or the bill cannot be paid as well as various dollar thresholds that need to go to the Board of Contract and Supply to be paid, no matter the reason, and this was not happening. The Treasurer said, “we are not following the rules of the City, and asked who is signing off on these tows.” The Treasurer further mentioned there is no organization and no one knows who is approving these large payments and why they are not following policy. Finally, it was mentioned this is not about the vendor, this is about the City following appropriate purchasing regulations. It was decided that the City must go out to bid for port tows immediately, and this motion was accepted without any additional comments by Mr. Paré or Ms. Richards.

10. It was observed by CLA that there is limited documentation to support the settlement of \$166,158.50 with State Towing.
 - a. CLA read the board minutes for The Committee on Claims and Pending Suits on April 3, 2023 noting the claim for \$166,158.50 was unanimously approved by all members present. The City has been unable to provide invoices and supporting documentation for the settlement of \$166,158.50.
 - b. This is a significant failure on management’s part. All claims/settlements should be supported with adequate documentation and explanation before being paid. CLA reviewed various other Claims and Pending Suits meetings and noted that the claim for State Towing was larger than any other claim that was settled. Per CLA’s interview with Mr. Taylor, he stated that most settlement amounts were much smaller and there is usually an explanation on the “why” behind the settlement. This brings further confirmation that there should have been more documentation to support the settlement amount before a decision was made.
 - c. CLA finds it important to note that even after the Finance Committee meeting on March 24, 2022 (number 9 above), which concluded that the City was not properly handling the bidding of tows and not following City Ordinances and Policies, the claim was settled six months later with limited to no documentation to support the payment. As of now, there is still no listing of invoices to support this settlement payment in full.

M. Conclusion/Recommendations

Conclusion



During the investigation of the State Towing contract, invoices, and payments, CLA identified various areas of improvement related to incomplete policies, lack of best practices, failure to follow procurement guidelines, failure of management to follow up or respond to certain concerns, and lack of adequate supporting documentation. CLA did not identify evidence of intentional fraud or malicious intentional activity that resulted in personal financial benefit to a City representative. At a minimum, there is evidence of possible waste as various payments and settlements paid to State Towing were for services beyond what was included in their approved contract, and exceeded bid amounts submitted to the City. By not undergoing a competitive process to contract the additional services associated with the abandoned vehicle tows, the City cannot demonstrate that it paid a fair and reasonable cost for these services. Additionally, there was little to no underlying documentation provided by State Towing to support the additional costs incurred associated with the abandoned vehicle tows, and it appears that there was little to no effort by management to request this documentation. Waste is defined as the thoughtless or careless expenditure, mismanagement, or abuse of resources. Waste also includes unnecessary costs resulting from inefficient or ineffective practices, systems, or controls.³⁷

The City of Providence internal audit department also performed an internal examination of activities related to State Towing and identified similar areas of improvement within the City's policies and procedures around incomplete RFPs. Significant areas for improvement include the Policies and Procedures documented and applied by the City, as well as review and follow up to be sure Policies and Procedures are being followed and not ignored.

After much analysis, discussions, and interviews, CLA concludes that there was evidence of mismanagement within the City, but there is no evidence that an individual or representative of the City benefited financially. There were various instances where concerns were brought to management's attention regarding State Towing's invoices, yet there was significant delay in taking corrective action, causing potential waste of the City's funds. The major collapse causing the increase in payments and incurring costs above budget for abandoned vehicle tow services was due to failure to follow procurement requirements, weak correspondence within, and minimal questions being asked and answered internally. CLA believes some of these issues have been resolved with the current and improved RFP process for abandoned vehicle tows, but also recommends the City consider the below recommendations.

Recommendations

CLA recommends the following actions to improve the bidding/RFP process and ensure compliance with policies, procedures, and approvals of all vendors, making sure every department,

³⁷ Definition of Waste: <https://oig.usaid.gov/node/221>.



including city council members, are following the same procedures.³⁸ In addition to towing policies and procedures, CLA also recommends the following actions to ensure complete back up for each invoice is provided and further questions are asked when necessary.

There were instances discovered in which internal audits or reviews were performed by various employees, but the internal questions or deficiencies were not addressed. It has been discovered that there is incomplete back up for some of the tows as well as a few instances when the correct call-in procedure was not followed by at least one councilmember and other staff.³⁹

Below sets forth CLA's recommendations to the City of Providence:

Recommendation #1: Implement a process to verify all vendors are in good standing with the state of Rhode Island.⁴⁰ This list should be reviewed and confirmed yearly.

Recommendation #2: Require sufficient supporting documentation (i.e., tow slips, invoices, receipts, time sheets, etc.) be submitted by vendors along with the vendor invoices so that the City can confirm the amount the City is being billed is consistent with what the vendor is paying.⁴¹ This is particularly important when a vendor bills for costs that are not a fixed fee, such as with this particular circumstance with State Towing. If a vendor is going to provide a service or incur a cost not covered by the existing contract, management should immediately bring a contract revision (e.g., change order) to the Board of Contracts for approval before anything is paid above the contracted amount.

Recommendation #3: Create a procedure-mapping for an employee or city councilmember who needs to call in or require a tow. Ensure all relevant City personnel and city councilmembers are informed of this process. Include this process in the applicable tow bids and contracts and include language indicating that the City may reject requests for payment on tows that did not comply with the process.⁴² Ensure that police officers go through the correct channel (Channel 4) to call in tows.

³⁸ These recommendations are based off the most recent tow policy updated in 2022.

³⁹ These were discovered in the letter from Cpt. San Lucas and verified by CLA.

⁴⁰ The 2022 tow policy already includes this requirement; but there was an issue in December of 2020 where a "Certificate of Revocation" for State Towing was discovered when the City was still using State Towing as a vendor, and this was not rectified until December of 2022.

⁴¹ The 2022 policy states, "Any company found to be overcharging for towing or storage will be subject to removal from the tow list." Therefore, the City should have a process to confirm amounts billed by vendor, particularly for large amounts billed, sudden increases in amounts billed, or amounts billed that are not based on fixed fees.

⁴² This will ensure all back up is saved on file with the City and all tows are being appropriately handled.



Recommendation #4: Require vendors to submit invoices at least monthly for all services performed or goods delivered. Implement a process for reaching out to vendors when an invoice on an open contract has not been received for a particular month. Consider including language in the vendor's contract providing the time period for submission of invoices.

Recommendation #5: An updated RFP has since been sent to potential towing companies with further information, including cleaning labor, demolition, disposals fees, etc., which should improve invoicing and payments with the City. To ensure that City contracts stay consistent with the services provided, ensure each RFP issued is reviewed between procurement and the applicable department to verify all line-item costs anticipated are covered in the RFP. Include language in the RFP and vendor contract indicating that the City reserves the right to reject any requests for payment including line items not specifically identified in the bid/contract.

Recommendation #6: To ensure the new RFP and tow processes are being followed, conduct yearly audits of the towing invoices to verify all applicable policies are being followed by the applicable departments, tow invoices are compliant with bids/contracts, there is sufficient supporting documentation supplied and on file for each tow, and each tow can be verified through the City's internal records.

Recommendation #7: Update the current tow policy and procedure with descriptions on the process for calling in tows, including port tows, the requirements for disposals,⁴³ and a list of responsibilities by department and/or position that ensures adequate segregation of duties.

Recommendation #8: The individual who is reviewing and/or approving should conduct audits on each of the tow invoices, tracing them back to the call log for the tow to make sure the City is not being overcharged and that all policies are being followed.

Recommendation #9: Ensure that the City issues an RFP for all tow contracts that will be awarded to a limited number of vendors or just one vendor. The RFP should include details of the selection process and criteria for transparency to all vendors and the public. The selection process should be followed and documented, and the related documents retained

⁴³ Including a description and policy regarding disposing of trash/waste is very important due to the nature of the tows and the past issues.



for later verification by an internal or external auditor or in the event of a bid protest.⁴⁴

Recommendation #10: The City Solicitor office should consider performing additional due diligence or working with another City department to perform additional due diligence, when settling claims. Consideration should be given to whether the vendor has fully substantiated their claim with sufficient supporting documentation that demonstrates the work was performed or goods were delivered. This could be accomplished through a review of each invoice in question by someone in Finance or Internal Audit.

Recommendation #11: Create a whistleblower hotline within the City that allows employees, vendors, and the general public to submit concerns over potential fraud. There are many factors to consider when implementing a hotline, and some of the more significant include:

- a. Communication on the existence and proper use of the whistleblower hotline.
- b. Ensuring anonymity and confidentiality of the whistleblower.
- c. Providing for multiple reporting channels.
- d. Process for assessing the credibility of each complaint.
- e. Process for investigating legitimate complaints.
- f. A system for tracking and documenting all reports, investigations, and outcomes.

N. Right to Amend Report

CLA reserves the right to amend this report if additional information comes to our attention or is presented to us that might further support, supplement, or otherwise change any findings expressed herein.

⁴⁴ The selection process used by the City should be documented in the RFP, such as: lowest cost, demonstrated ability, certain equipment owned by the vendor, past performance, etc.



EXHIBIT 1



Michael A. Kelly, Esq.
mkelly@ksplawpc.com

January 30, 2024

VIA EMAIL

Luke Stahelski, MSA, CFE, PI
Manager
Valuation, Forensic, Litigation & Investigations
Clifton Larson Allen, LLP
Luke.stahelski@claconnect.com

Re: State Towing Service

Mr. Stahelski,

This letter is in response to your email dated January 11, 2024, wherein you request certain information related to State Towing's services to the City. Are response to each of your question are in blue below.

1. How did State Towing receive the requests for tows?
 - a. I.E., through City's communications channel and/or directly from police/city council?
 - b. Are there records of the call received outside of the City's communications channel?
 - c. How frequently, approximately, did State Towing receive a request for a tow outside of the normal channels of communication from City of Providence?
 - i. I.e. a direct call or text from an officer or councilman.

State Towing would receive requests for City Tows through the City's communications channel. The Tow calls would come directly from the Providence PD to State Towing via the formal communication channel. If the call came through the City's communication channel, there would generally be a log of the call.

However, Providence PD was informal about their tow requests. Many times, a supervisor would personally come to State Towing a request a tow out of their division. Other times, State Towing would show up to a tow where police were located, and the police would



verbally request another tow at another location. In these circumstances, a record of the request would not be generated.

Generally speaking, if State Towing received direct communication related to a City tow, they would instruct the individual to go through the proper channels. However, for example, Councilman Taylor called and/or texted directly for Tows to be made in his district and when he was informed to go through the proper City channels to call for the tow, he stated he did not have to because he was a Councilman (See **Exhibit A**, which also is an example of a call log generated by State Towing).

2. How frequently did State Towing send invoices to City of Providence for payment?

There was no formal timeframe for sending invoices to the City for payment. However sometime in 2021, State Towing started using a software program to generate statements and invoices. This was at the suggestion of the Providence Police Department in order to create detailed descriptions of the services State Towing provided.

3. When did State Towing become responsible for disposing of items inside towed vehicles?
- Was this communicated to the City? If yes, to whom?
 - Is there evidence of the communication?
 - Did State Towing provide the receipts to the City related to the additional costs?

State Towing was responsible for disposing of items in abandoned vehicles including large campers, box trucks, and boats. These abandoned vehicles were often littered with debris, chemicals, drug paraphernalia, and personal items, many of which cannot be disposed of without significant costs and proper safety precautions being maintained.

State Towing was receiving a significant amount of these calls during the Covid-19 pandemic as the City apparently saw a rise in abandoned vehicles/boats/trucks that needed to be removed from streets and public areas. Attached as **Exhibit B** are photos which provide an example of some of the items State Towing would have to dispose of from abandoned vehicles.

Additionally, a change in City policy required State Towing to incur more of the costs of disposing of large vehicles. The Department of Public Works used to accept large vehicles for disposal. State Towing would simply tow the vehicles to DPW and they would dispose of them on behalf of the City. DPW changed its policies and no longer accepted the large vehicles for disposal, requiring State Towing to incur these costs.

State Towing communicated the issue of substantial additional costs to the Commissioner of Public Safety, Steven Pare. This communication was during an in-person meeting with Commissioner Pare, who assured State Towing that they would be reimbursed by the City for the additional costs incurred for removing/disposing of these items. Although Commissioner Pare has since retired, our office reached out to him during litigation between State Towing and the



City and he confirmed over the phone that he authorized State Towing to continue to bill for the additional costs and that the City would pay. Commissioner Pare was adamant that he authorized State Towing to continue to bill the City for any additional work related to disposing of large vehicles and the materials left inside them.

Furthermore, the internal auditor for the City of Providence Gina Costa, confirmed in her deposition that Commissioner Pare and the Office of Public Safety specifically authorized State Towing to keep performing the necessary additional work related to Port Tows and that the City would reimburse State Towing for the additional expenses. (See relevant pages of Gina Costa's deposition transcript attached hereto as **Exhibit C**). Ms. Costa made it clear in her sworn testimony that State Towing was not at fault for performing any extra work outside the scope of the RFP because the Office Public Safety specifically requested State Towing to perform this work and told them they would be compensated for it.

4. When was the change of billing systems for State Towing that resulted in removing tow slips and creating only invoices?
 - a. See 3a. as an example.

State Towing changed their internal system in 2021 to create detailed invoices for the City Tows. Based on the significant costs being incurred related to the abandoned vehicles, State Towing adopted the new system in order to itemize all the costs and provide the City with a detailed explanation of the costs related to these tows.

5. Did State Towing use a 3rd party to dispose of the items or was it all internal labor?
 - a. Can State Towing provide receipts, timecards, or other support to evidence the additional costs incurred?

State Towing used a machining company, VRV Enterprises, to dispose of the larger items from abandoned Tows. State Towing does not have the records related to payments made to VRV Enterprises as many records were lost when their storage was flooded.

6. Is there documentation for every tow that was done for the City?
 - a. How are those documents stored, electronically or paper?

All the Tows done for the City had invoices created that were sent directly to the City. Those invoices were stored in electronic form after 2021 when State Towing had the new software implemented.

7. What is the process for State Towing to document a vehicle that does not have a license plate but needs to be towed?



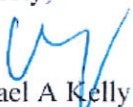
Most abandoned vehicles that State Towing was called to tow had no license plate and/or had a removed vin number. When State Towing was called to tow an abandoned vehicle, it did so based on the request of the police department.

8. What invoices / statements / tow dates make up the second settlement payment of \$166,158.50?

All the statements/invoices for the second settlement were provided to the City.

If you wish to discuss this further please contact my office.

Sincerely,


Michael A Kelly

Enclosure



EXHIBIT 2



Cancel

ward & hopefully you can stop by. For those who can not make it and would like to donate, they can send a check or money order to
Friends of James Taylor
6 Thurston Street
Providence, RI 02907
Thank you hope to see you there!

Sorry for your loss, thoughts and prayers are with you and your family

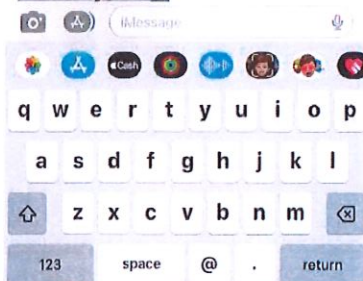
Delivered



Cancel



A photograph of a white motorhome parked in a lot. In the background, there is a building with a sign that says "MOTORHOMES". The sky is blue with some clouds.





Filed in Providence/Bristol County Superior Court
Submitted: 2/2/2023 9:54 AM
Envelope: 3968483
Reviewed: 8/24/2021 3:30:00 PM

State Towing Service

380 Valley Street
Providence RI 02908
(401) 331-0925
(401) 331-8106

Call #6894

Invoice #01820
Created 8/24/2021 3:30:00 PM

BOATS/BIKES/CAMPERS

Date/Time Completed: 8/24/2021 4:30:00 PM

Contact(s)

Vehicle(s)

Vehicle: 0 Ford Van
Color: None
VIN:
License:
Driver(s): stephen perry
Truck(s): 2011 F550

Details

Service Location Cranston St, Providence, RI, USA
Destination Address 380 Valley St, Providence, RI 02908, USA (380 Valley Street)

Notes

This was a 32 foot camper that was next to Cranston mattresses inside vacant lot. councilman Jim Taylor called us directly (phone number # (401)225-8500) he stated that there was a camper in his ward that needed to be towed immediately. I informed him to contact VRU. councilman told me that he is the councilman for that ward and did not need to. Taylor at location to answer any questions. Steve P. and Mike S. on location for tow camper was filled with trash 2 mattresses 3 tires yard waste including cinderblocks . 4 tires have been removed and dismounted. gas tank have been removed.



mitted: 2/2/2023 9:54 AM

elope: 3985483

iewer: **StarTowing Service**

380 Valley Street

Providence RI 02908

(401) 331-0925

(401) 331-8106

Call #3260

Invoice #3260

Created 10/4/2021 4:57:00 PM

BOATS/BIKES/CAMPERS

Date/Time Dispatched: 10/4/2021 4:57:00 PM
Date/Time Enroute: 10/4/2021 4:57:00 PM
Date/Time On Scene: 10/4/2021 4:57:00 PM
Date/Time Towing: 10/4/2021 4:57:00 PM
Date/Time Completed: 10/4/2021 5:45:00 PM

Contact(s)

Vehicle(s)

Vehicle: 1992 RV Camper
Color: Beige
VIN:
License:
Driver(s): Luis Bilbao
Truck(s): Dodge 5500

Details

Service Location: 209-299 Salvati Way, Providence, 02909, RI
Destination Address: 380 valley st., providence, RI 02908
Reason: Police

Notes

councilman Taylor called in direct into us to remove a camper along side of Huntington towers (401)225-8500 removed per Taylors order at location Mike S. Steve P. and myself on location. this is a 2B fuel driving rv camper was being lived out of there is bio waste all inside this rv along with clothing and lots of drug paraphernalia (glass pipe and syringes) 2 Mattresses this all had to be disposed of the proper way. this also had furniture that needed to be disposed of. had to demo the top of camper (wood walls rubber roof) and dispose of this. we had to remove the black water tank that was filled with human excrement, this is a bio disposal we had to remove the 6 tires and the gas tank to dispose of this