



CITY OF WINSTON-SALEM
DEPARTMENT OF TRANSPORTATION
REPORT ON COMPLIANCE WITH
PURCHASING POLICIES

For the 6 Months Ended October 31, 2019

Submitted by:
Office of Performance and Accountability
Internal Audit Division
February 2020

Overview of Department of Transportation Operations

The Department of Transportation (DOT) manages and assists with the operation, planning and enforcement of various modes of travel. DOT aspires to ensure that the transportation systems are planned, designed, constructed, operating, and maintained so that congestion, delay and traffic accidents are minimized while transportation choices and emergency services are maximized. Purchasing transactions are primarily for travel for training; interns; supplies, parts and tools for parking decks; catering for meetings; and office supplies. DOT processes follow the City's Administrative Policy—dated 4/10/2018 (Purchasing Policy). Smaller dollar purchases (less than \$1,000) are typically performed using purchasing cards (P-Card). Larger dollar purchases (greater than \$1,000) are performed using request for check (RC) disbursements and purchase orders (POs).

The DOT environment is characterized by a formal approval process for all purchasing expenditures which is managed via a four-person approval process to include Director – Toneq' McCullough, Transportation Financial Manager – Brenda King, Assistant City Manager – Damon Dequenne, and City Manager – Lee Garrity. This review process does include an exceptions (to be followed up on) list; a note is created in the note field within E-works and returned to the originator for correction.

DOT purchasing for the audit period is presented in the table below:

Purchasing Method	Total Number	Total Amount
Assigned P-Cards	9	N/A
POs	26	\$7,301,965
P-Cards	109	\$22,118
RCs	105	\$99,207

Definition of Compliance Requirements

Compliance requirements are defined in the Purchasing Policy. The policy provides guidelines for P-Cards, RCs, POs, and related purchasing procedures. POs are required for procurement amounts greater than \$1,000. Only services or items that cannot be procured on a P-Card or PO should be paid for on a RC. Depending on the dollar amount of the procurement, the solicitation of informal quotes or formal bids is required for all purchases greater than \$1,000. Local vendors must be used, if available, for all discretionary spending under \$20,000. Local M/WBE vendors must be given the opportunity to bid/propose.

Scope of Audit Procedures Performed

The audit concentrated on operations and transactions occurring between May 1, 2019 and October 31, 2019. Emphasis was placed on the testing of P-Card, PO, and RC transactions in accordance with city policies and procedures. Expenditure testing focused on reviewing and verifying purchasing practices were in adherence to the Purchasing Policy. Statistical sampling methods were used (90% confidence level with a 10% margin of error). A summary of all purchasing activity for the audit period was examined and included a review of P-Card issuance and usage volume.

For population and testing purposes, only purchases made exclusively by DOT were included. Population and sample size tested are presented in the table below:

Purchasing Method	Total Population	Total Tested
Assigned P-Cards	9	9
P-Cards	109	42
POs	19	12
RCs	105	42

Findings

1. One PO transaction did not include an explanation for not acquiring informal bids.

Per the Purchasing Policy, each purchase request should include documentation of an attempt to obtain three quotes or an explanation for the reason less than three quotes were obtained. The policy also states, "Quotes should only be obtained from non-local vendors if no qualified local vendors exist." Hayden Design Associate Inc. was a recommended vendor from the Engineering Department due to the previous work they performed. Policy procedures still need to be followed in the event of a departmental recommendation. It is recommended for DOT to attempt to obtain three quotes or document an explanation for having less than three quotes.

Management Response: DOT entered into an agreement with Hayden Design for professional services to layout the workspace at Union Station for staff relocation. Hayden was previously selected by Engineering through their complete process. Although that was the case, we now understand that the policy still required us to advertise for these services. This information will be shared with other DOT staff to ensure compliance.

2. One vendor was not paid with the appropriate purchasing method.

Per the Purchasing Policy, contracts for services that exceed \$5,000 over the life of the contract should not be paid incrementally with RCs or P-Cards unless exceptions have been approved by the City Manager. These contracts should be encumbered by purchase order for the entire life of the contract or by annual amount, and paid by provisional payment authorization submitted to Accounts Payable. T2 Systems was procured on a RC instead of PO. Documentation of reasoning was provided by DOT; however, policy states approval should be obtained from the City Manager in order to proceed with using a RC instead of a PO. It is recommended for DOT to maintain proper documentation with approval from the City Manager to use a RC instead of a PO for T2 Systems.

Management Response: There was a contract agreement with T2 for their services, however, DOT was informed that the agreement we were working under was no longer valid and needed to be revised. While the city attorney's office worked with the vendor on finalizing a contract staff was advised to pay the vendor by RC. We now understand that we needed to get this recommendation approved by the City Manager before we proceeded. This requirement will be shared with other DOT staff to ensure compliance in the future.

3. One P-Card transaction did not use a local vendor.

Per the Purchasing Policy, cardholders are expected to obtain the best price available from local vendors for comparable quality items considering time, delivery, pick-up costs, and any other fees that might be charged. One non-local vendor, Peachjar (Walk & Roll School Flyer Advertisements) was utilized by DOT. It is recommended for DOT to use the best priced items available from local vendors.

Management Response: Staff worked with the school system on coordination of this event. However, we realize that when city, state or federal funds are used then the appropriate policies should be applied. This will be shared with other DOT staff to ensure compliance in the future.

Observation and Recommendation

1. *One P-Card had no activity for an extended time period.*

One of the nine DOT P-Card users had no transactions within the audit period. It is recommended that DOT assess this employee's need for a P-Card.

Management Response: The employee referenced does need to maintain their card.

Respectfully submitted,



Francesca A. Adams
Internal Auditor



Heather D. Smith
Internal Audit Administrator

Distribution
Damon Dequenne
Toneq' McCullough
Brenda King
Lisa Saunders
Angie Fisher
Jerry Bates
Ben Rowe
Scott Tesh