



CITY OF WINSTON-SALEM
FIELD OPERATIONS
REPORT ON COMPLIANCE WITH
PURCHASING POLICIES

For the 6 Months Ended March 31, 2020

Submitted by:
Office of Performance and Accountability
Internal Audit Division
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Overview of Field Operations Department

The Field Operations Department is comprised of four divisions which include Stormwater, Erosion Control, Streets, and Drainage Maintenance. Stormwater works to restore, protect, and preserve the surface waters within the City of Winston-Salem. Erosion Control works to reduce the amount of sediment entering our local waterways from soil erosion and encourages proper floodplain management. The Streets Division maintains over 1,000 miles of city roads within the City of Winston-Salem. Drainage Maintenance is responsible for maintaining the storm drainage system and infrastructure within the City of Winston-Salem.

Field Operations purchasing transactions are characterized by a large number office supplies, parts, tools and supplies for plotter, educational materials for department, Creek Week materials/supplies, certification for employees, and Service Excellence materials. Purchasing processes follow the City's Purchasing Policy. Smaller dollar purchases (less than \$1,000) are performed using purchasing cards (P-Cards). Larger dollar purchases (greater than \$1,000) are performed using request for checks (RCs) and purchase orders (POs). Purchases \$20,000 or greater are performed by the Purchasing Division of the Financial Management Department.

The Field Operations environment is characterized by a formal approval process for all purchasing expenditures which is managed via a four-person approval process to include Deputy Director of Field Operations – Lance Covington, Director of Field Operations – Keith Huff, Johnnie Taylor – Director of Operations, and the 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 eWorks and returned to the originator for correction.

Field Operations purchasing for the audit period is presented in the table below:

Purchasing Method	Total Number	Total Amount
Assigned P-Cards	10	N/A
P-Cards	143	\$33,937
POs	15	\$107,786
RCs	51	\$22,562

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 October 1, 2019 and March 31, 2020. 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 Field Operations were included. Population and sample size tested are presented in the table below:

Purchasing Method	Total Population	Total Tested
Assigned P-Cards	10	10
P-Cards	143	47
POs	15	13
RCs	51	30

Findings

1. *One vendor was not paid with the appropriate purchasing method.*

Per the Purchasing Policy, purchasing cards may not be used for gift cards. Per the Gift Card Policy, gift cards are to be purchased using a RC form and should include an itemized list of gift cards with date, amount, and purpose. The policy also states, the RC form should clearly state the custodian of the cards and may not be purchased with purchasing cards or petty cash. Gift cards were purchased using a purchasing card in December 2019.

It is recommended for Field Operations to use the appropriate purchasing method when buying gift cards.

Management Response: There was confusion during the procurement policy that has been clarified at this point. Education has been provided to parties involved.

2. *One PO transaction did not use a local vendor.*

Per the Purchasing Policy, for all discretionary spending under \$20,000, local vendors must be used if available, and local M/WBE vendors must be given the opportunity to bid/propose. The policy also states, for all purchases under \$20,000, quotes should only be obtained from non-local vendors if no qualified local vendors exist. One PO transaction did not use the available local vendor.

It is recommended for Field Operations to use local vendors when available and to include an explanation of efforts to obtain local vendors when not available.

Management Response: We discussed this with purchasing (Jerry Bates and Darren Redfield) and everyone agreed that this was price gouging but we failed to get anything in writing stating so.

Respectfully submitted,



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