



# CITY OF WINSTON-SALEM REPORT ON BOND FINANCED CONSTRUCTION PROJECTS

For Fiscal Year Ended March 31, 2021

Submitted by:

Office of Performance and Accountability  
Internal Audit Division  
September 2021

## Background of Bond Financed Construction Projects

In November 2014, City of Winston-Salem (City) voters approved \$139.2 million in general obligation (GO) bonds to finance unmet capital needs and public improvements. The areas of improvement were broken down into five categories: public safety facilities, recreation and parks, streets and sidewalks, economic development, and housing. More than 280 total projects were approved in the bond referendum (via GO bond financing) and their voter-approved budgets are shown below:

Purpose Description	Budget
Public Safety Projects	\$31,000,000
Street and Sidewalk Projects	\$42,350,000
Economic Development Projects	\$25,000,000
Housing Projects	\$10,000,000
Recreation Projects	\$30,850,000
	<b>\$139,200,000</b>

The majority of completed projects to date have been smaller in size and complexity. Of the budgeted amounts, over \$141 million has been spent with 94% of the total projects considered complete as of March 31, 2021.

## Overview of Bond Project Operations

The Internal Audit Division chose two bond projects to examine based on the following parameters: most complete, larger budget amount, and chosen projects are from separate categories. The following two bond projects was reviewed: 1) Hanes Park Improvements; and 2) Carver School Road. For these two projects, a contract defines the terms, conditions, specifications, and unit prices agreed upon between the City and the associated project contractor. The Hanes Park Improvements and Carver School Road projects were forwarded to the Engineering Department (Engineering) to serve as the administrator from other departments. Upon accepting these projects, Engineering either assigns their own engineers to begin the design or they hire a consultant to complete the design. Once the design is completed, the Purchasing Division handles the bidding process. When the bidder is approved by City Council, the project is either managed by the Engineering field office or by a consultant.

If the bond project is managed by the Engineering field office, an Engineering inspector is assigned to the project and performs a site visit at least daily to observe construction. Monthly, this inspector reviews and approves applications for payment from the project contractor. If Engineering hires a consultant to design a project (usually this is for a building as Engineering doesn't have architects on staff), the consultant handles the field inspection of the project.

The contractor submits their monthly application for payment to the consultant for review and approval. Once the consultant approves, it is submitted to Engineering's financial section for payment. Depending on the size of the payment, the application for payment is then further reviewed and approved by the Engineering Financial Manager, Engineering Department Head, Assistant City Manager, and City Manager. Upon approval, these payments are processed by an Engineering Financial Technician.

## Overview of Procedures Performed

The audit concentrated on internal controls and operating processes relating to the selected bond projects as of March 31, 2021. Testing further focused on verifying compliance with construction agreements for

the projects. Emphasis was placed on evaluating the contractors' delivery of services, testing amounts invoiced, and assessing the effectiveness of City administrative management. Between the two bond projects, Internal Audit tested twenty-two applications for payment using sampling methods.

Specifically, the audit procedures focused on verifying the following attributes:

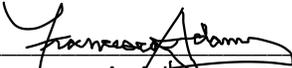
- Was bond funding allocated for its intended purposes?
- Were change orders properly submitted and approved?
- Did the monthly payment applications have all required signatures?
- Were the overall and per pay period retainage calculations accurate?
- Was the Schedule of Values submitted by the contractor within ten days following the execution of the contract (Exhibit "C")?
- Was the Schedule of Completion submitted by the contractor within ten days following the execution of the contract (Exhibit "D")?
- Were the contract unit prices used for items and quantities throughout bond project period?
- Did the contractor maintain insurance and name the City as an additional insured (for general liability, hazard, and works' compensation policies)?
- Did the contractor have workers' compensation and commercial general liability insurance for bodily injury and property damage?
- Was the contractor in compliance with the City's minority and women owned business enterprise requirements?
- Were either the contractor or its agents or subcontractors presently debarred, suspended, or proposed for suspension or debarment from contracting by any Federal or State Department or Agency?
- Was the overall internal control environment found to be effective?

### **Findings and Recommendations**

The Engineering Department bond projects audited appear to be in compliance with the construction agreements. Internal Audit found no exceptions during fieldwork.

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Respectfully submitted,

  
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