



# CITY OF WINSTON-SALEM REPORT ON COMPLIANCE WITH NMS LABS CONTRACT

For Fiscal Year Ended June 30, 2021

Submitted by:  
Office of Performance and Accountability  
Internal Audit Division  
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## **Overview of NMS Labs Contract**

Effective November 25, 2014, the City of Winston-Salem entered into agreement with NMS Labs, LLC (NMS Labs), formally known as Integrated Forensic Laboratories, LLC, for the management and maintenance of an on-site forensic crime laboratory and forensic analysis services. Specifically, the analysis of blood samples for blood alcohol concentration and of substances believed to be controlled substances as defined by North Carolina or Federal law (collectively, the "controlled substances"). NMS Labs maintains, manages, and operates an on-site accredited forensic crime laboratory at the Beaty Public Safety Training and Support Center, in accordance with industry standards and all applicable federal, state, local laws, including American Society of Crime Laboratory Directors/Laboratory Accreditation Board accreditation requirements, and policies and procedures of the City and the Winston-Salem Police Department (WSPD).

## **Overview of NMS Labs Contract Operations**

NMS Labs is an established forensic laboratory services company. Cases are submitted by WSPD to NMS Labs and assigned a unique lab number. This starts the beginning of custody of the case sample being tested which is entered into the LIMS database system. Internal clocks and electronic measures are used when a case sample is received to ensure the turnaround times are met. Once the laboratory result is issued the turnaround time clock is stopped.

The analysis of the case sample testing performed is documented in the LIMS system. The analysis codes assigned to the case sample generates on an invoice. A monthly fee per the contract agreement is charged for the bulk of services; additional agreed upon fees are charged for specific services provided when appropriate. NMS Labs monitors the utilization numbers in the background and communicates those numbers quarterly to WSPD through email.

Every month the Forensic Services Division of the WSPD receives two invoices from NMS Labs. One invoice is the contract price and the other invoice lists the add-ons. The Forensic Services Supervisor then sends the invoices to the Criminal Investigations Division to be paid and processed.

## **Scope of Audit Procedures Performed**

The contract audit concentrated on operations and transactions occurring between July 2020 and June 2021. Audit scope was limited to verifying the accuracy of the NMS Labs disbursements by the City for forensic laboratory services and the adherence to specific Agreement Terms. The primary objective of the audit was to assist WSPD by verifying reconciliation of quarterly reports and invoices with the NMS Labs contractor for services provided. There were a total of twelve monthly invoices, nine a la carte invoices, and four quarterly reports; one-hundred percent of the invoices and quarterly reports were tested.

Quarterly report and invoice testing were limited to verifying the following attributes:

- Quarterly reports comply with section 1.6 of contract
- Quarterly reports reconcile to monthly invoices as well as internal WSPD documentation
- Invoice pricing complies with Amendment No.3 Exhibit C
- Invoices comply with section 4.2 of the contract agreement

Statistical sampling methods were used (90% confidence level with a 10% margin of error) to test turnaround times for compliance with section 1.8 of the contract. There were a total of 635 case samples. A total of 62 case samples were tested. The overall internal control structure was considered; however, effectiveness of internal control procedures was not tested.

Turnaround time testing was limited to verifying the following attributes:

- Turnaround times for blood alcohol levels and controlled substances, other than trafficking cases, were no more than five days
- Turnaround times for controlled substances in trafficking cases were no more than ten days

### **Finding and Recommendation**

#### *1. Case samples did not meet turnaround times in section 1.8 of the contract.*

Per the section 1.8 of the Contract: "NMS will maintain a turnaround time for analysis of blood alcohol levels and for analysis of controlled substances other than in trafficking cases of no more than five (5) business days. NMS will maintain a turnaround time for analysis of controlled substances in trafficking cases of no more than ten (10) business days." All 62 case samples tested did not meet turnaround times.

For compliance and completeness purposes, it is recommended for NMS Labs to maintain turnaround times in accordance with section 1.8 of the contract or provide an amendment to the contract in which both WSPD and NMS Labs agree on new turnaround times.

**NMS Labs Management Response:** NMS Labs presented a proposed turnaround time of 21 days for the analysis of blood alcohol levels, analysis of controlled substances in blood, and the analysis of controlled substances. NMS Labs agreed to a contract extension for continued discussions and turnaround time negotiations for a future long-term contract or amendment.

**WSPD Management Response:** As discussed in a joint meeting with NMS Labs personnel we will look to continue to contract laboratory services from NMS Labs. A 60-day extension amendment will be sought to have time to evaluate moving forward with a new long-term contract as well as address the issues that were brought to light in this audit. Turnaround times will be discussed at a future meeting with between WSPD and NMS Labs to ensure both parties come to an agreement as to what will be acceptable.

### **Observation and Recommendation**

#### *1. Quarterly Reports did not reconcile to monthly invoices as well as internal WSPD documentation.*

Per the contract agreement, NMS Labs will provide a quarterly report that contains an itemization and description of all services performed by NMS Labs. During reconciliation testing, Internal Audit noted seven cases that did not reconcile to the monthly invoices as well as internal WSPD documentation. Specifically, NMS Labs pricing differed on the quarterly reports and the invoices. The quarterly report format was requested to be changed in June 2021 by WSPD. Prior to June, quarterly reports only contained the test type and utilization number. Upon the format change request, NMS Labs retroactively generated quarterly reports for Fiscal Year 2021. NMS Labs noted that there was a price change in January 2021 that affected the quarterly reports. Prices prior to January were not updated to the correctly paid prices causing the difference between the quarterly reports, invoices, and WSPD documentation. Invoice amounts were correctly priced and paid by WSPD.

For accuracy and completeness purposes, it is recommended for NMS Labs and WSPD to agree on the format and information provided within the quarterly reports.

**NMS Labs Management Response:** Winston-Salem Police Department agreed for NMS Labs to present the "spreadsheet" version of the Quarterly Report to Erin Warren in early January. This Quarterly Report will represent Q2 (FY 2021/2022). In conjunction with the spreadsheet quarterly report, NMS Labs will prepare an additional quarterly report utilizing PowerBI for WSPD to review as a proposed alternative to the spreadsheet quarterly report. NMS Labs agreed to a contract extension for continued discussions and quarterly report negotiations for a future long-term contract or amendment.

**WSPD Management Response:** A formal review of quarterly reports, monthly invoices, submissions, and turnaround times is being implemented to verify the terms of the contract are being upheld going forward.

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Respectfully submitted,



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