



CITY OF WINSTON-SALEM
REPORT ON COMPLIANCE WITH
RICOH CONTRACT

For 9 months Ended March 31, 2022

Submitted by:

Budget and Performance Management Department
Internal Audit Division
August 2022

Overview of RICOH Contract

RICOH® is the leading provider of innovative products and services that enable our customers to manage document workflow and increase efficiency. For more than twelve years, RICOH and the City of Winston-Salem have been partnering to build a successful relationship. RICOH offers the City of Winston-Salem professional print, copy, and finishing services.

The Service Center specializes in a range of quality services, including:

- Black-and-White Copying/Printing
- Collating/Inserting/Stapling Cutting/Drilling/Folding
- Color Copying/Printing
- Custom Printable Tabs
- Lamination Document Scanning from paper to digital
- Plastic GBC or Metal Wire Binding
- Wide Format Printing/Scanning

Specific requests not offered (such as envelope printing, die-cutting, numbering, etc.) are sent to an off-site facility.

RICOH also serves the entire city with mail pick-up and delivery of USPS Mail and Interoffice Mail.

Overview of RICOH Contract Operations

When RICOH printers and copiers need service and/or supplies, end users contact the Information Systems Operation Center (ISOC). The ISOC then opens a ticket for RICOH to perform a service or install supplies such as toner and staples. RICOH and the Information Systems Department are notified when toner is low.

The RICOH contract lists a certain number of devices that it covers. When a new device is requested it calls for an addendum to the contract. The process begins at the department head level who contacts the Director of Information Systems, Tom Kureczka or the Information Systems Project Coordinator, David Neininger. The Information System Coordinator then coordinates and attends a meeting with the department head and RICOH to determine what the departments needs are and the device or model that will fulfill that need. The request then goes through the addendum contract process in order to add it.

The City receives two types of invoices from RICOH:

- **Lease Invoices (multifunctional devices and printers)**
The lease invoices are billed at the beginning of each month for the following month. Each department is billed separately and are responsible for new devices added.
- **Managed Services Invoices (labor, toner, supplies, parts, and device clicks)**
Managed Services invoices include a base fee of \$31,200 and an annual 3% increase. Additional costs are incurred for clicks on a device. Each month there are meter reads on the devices that are reported back to RICOH. Approximately, 95% of the devices show a meter count that includes current, end of month, and the number of clicks per month. The City receives the invoice excel format based on their request. Before the invoice is sent there is a reconciliation period with the Site Manager. The Field Operations Manager also reviews the invoice to make sure everything is accurate and any necessary changes are made before sending the invoice. Once the invoice is sent to the City, the City has ten days to review the invoice to address any issues or inaccuracies. The City then cuts a check to RICOH which is sent to the RICOH lockbox and payment is normally processed within 30 days.

Scope of Audit Procedures Performed

The contract audit concentrated on operations and transactions occurring between July 1, 2021 and March 31, 2022. Emphasis was placed on financial transactions to determine compliance with policies and procedures, determine adherence to the agreement, and evaluate internal control processes.

Statistical sampling methods were used (90% confidence level with a 10% margin of error) to test lease and managed services invoices as well as response times for compliance with section 3.2 and 3.4 of the contract. There were a total of 18 invoices (9 managed services invoices and 9 lease invoices). A total of 16 were tested (8 managed services invoices and 8 lease invoices). There were a total of 246 service calls located within a major metropolitan area and 46 supply management service calls. A total of 56 service calls within a major metropolitan area and 28 supply management service calls were tested. The overall internal control structure was considered; however, effectiveness of internal control procedures was not tested.

Invoice testing focused on verifying the following attributes:

- Invoice agreed to supporting documentation.
- Invoice was properly approved.
- Provisional payment has proper signature approvals.

Response Time testing focused on verifying the following attributes:

- RICOH met a four-hour average response time for all Customer service calls located within a major metropolitan area and eight-hour response for all service calls fifty miles or greater from a RICOH service center.
- Customer requests for supply management were satisfied within two hours of receipt of request.
- Call details were entered into the Ivanti Online Service Request System for response time and resolution tracking. Recorded details included department, device model number, device serial number, problem description, and service request date and time.

In addition to the aforementioned sample testing, emphasis was placed on verifying the following:

- All upgrade specification requirements were met according to the agreement.
- Contractor and City maintained: General liability, auto and personal property insurance, and workers' compensation insurance in the amount required by law, and that such insurance remained in effect during the term.
- RICOH provided monthly operating reports to the City.
- Quarterly Strategy Updates and Annual Customer Strategy Sessions were held.
- RICOH Site Manager contracted directly with providers in the Winston-Salem Triad area (Local M/WBE) for overflow that for whatever reason cannot be performed within the City of Winston-Salem Ricoh Managed Services site (if applicable).
- RICOH maintained a master fleet listing (Schedule).
- RICOH provided (5) Full-time (Onsite) Personnel.
- RICOH maintained a listing of Customer employees to facilitate mail delivery.

- RICOH sorted and logged all incoming express, certified and registered mail, and staged it for subsequent delivery or retrieval by the intended recipient.
- TRAC maintained chain of custody for delivery of accountable mail and express packages.
- RICOH visited each multifunction device to assure accessibility and operability-tasks to include replenishing paper supplies (customer provided), checking toner levels and clearing any error codes that may be displayed on a scheduled basis.

Findings and Recommendations

1. Customer requests for supply management were not satisfied within two hours of receipt of request.

Per the contract agreement, RICOH will satisfy customer requests for supply management within two hours of receipt. Fourteen out of twenty-eight supply management requests tested were not satisfied within two hours of receipt.

For compliance purposes, it is recommended for RICOH to satisfy customer service calls for supply management within two hours of receipt of requests.

RICOH Management Response: In reviewing the data for the fourteen supply requests identified as being outside the two hour window, we found the largest contributing factor was the Covid-19 pandemic. The pandemic affected our ability to provide normal services in three ways:

1. In response to a surge in case numbers, the City requested that we reduce our staff in the office by 50% for a time period of approximately two months. During this time our mail services and print production continued at normal levels, so we had to prioritize our tasks to focus on services that were most essential to City operations.
2. Many City employees worked from home during this time frame, and in some cases we were unable to deliver supplies immediately because no one was in the office to receive it. We would often have to arrange deliveries around customers' individual work schedules to gain access to the location.
3. There were global supply chain issues that affected our ability to get products shipped in a timely manner. Although we tried to plan our orders well ahead of time, there were lengthy backorders that led to delays in receiving some supplies. To compensate, we prioritized requests for down equipment over spares, so there was only one instance where a printer was not functional due to lack of toner.

Going forward, if we are requested to reduce staff due to abnormal circumstances, Ricoh shall work with the customer to execute a temporary adjustment to our Service Level agreements.

There was one other issue we found that led to misleading results. The time interval noted on the initial reports was generated by software that did not take into account our business hours. For example, if a call came in after our center closed at 5:00 PM, we would not see it until we reopened at 8:00 AM the next business day, but the computer clock would record the nighttime hours as well. If that call came in on a Friday, then the time elapsed would include the weekend hours as well. To address this concern for future auditing, we will be adjusting our printer fleet service log to note the actual elapsed time relative to the time we were open for business. Actual time will still be calculated by the City's Ivanti Help Desk system, but effective September 1, 2022, we will maintain a separate log to document any unique circumstances.

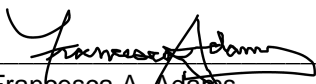
2. RICOH was unable to provide supporting documentation to verify one-hour phone response to service calls measured from receipt of the customer's call.

Per the contract, RICOH will provide one-hour phone response to service calls measured from receipt of the Customer's call. Internal Audit was unable to test one-hour phone response to service calls due to lack of supporting documentation. This is an agreed upon measure within the contract and as such the vendor should be maintaining documentation in order to verify compliance.

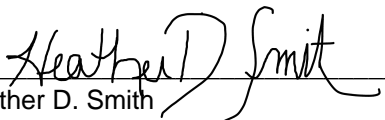
For compliance purposes, it is recommended for RICOH to maintain proper supporting documentation in order to verify one-hour phone response to service calls measured from receipt of the Customer's call.

RICOH Management Response: We are revising our printer fleet service log to include a place to record call times. The use of this new log will be required by all team members effective September 1, 2022. Going forward we will document when a call is received and when we responded, and we will be able to report the time elapsed in between.

Respectfully submitted,



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