



CITY OF WINSTON-SALEM
CENTRAL WAREHOUSE
REPORT ON COMPLIANCE
WITH PURCHASING POLICIES

For the Twelve Months Ending March 31, 2022

Submitted by:
Budget and Performance Management Department
Internal Audit Division
August 2022

Overview of Central Warehouse Operations

Central Warehouse (Central) provides City departments with supplies and operating equipment through consolidated purchasing and centralized storage. Central collects, stores, and disposes of all surplus properties except real estate and motor vehicles.

The Central environment is characterized by a formal approval process for all purchasing expenditures which is managed via a two-person approval process to include Administrative Services Manager – Amanda Massey and Assistant City Manager – Johnnie Taylor (for purchases above \$5,000). Please note anything above \$20,000 – \$99,999 also includes the City Manager.

Central purchasing activity for the audit period is presented in the table below:

Population Category	Total Population	Total Amount
Assigned Purchasing Cards	2	N/A
Purchasing Cards	70	\$19,178
Purchase Orders*	331	\$3,166,758
Requests for Checks	17	\$10,985

* Purchase Orders of \$20,000 or greater were excluded from the review.

Definition of Compliance Requirements

Compliance requirements are defined in the City's Administrative Policy—dated 4/10/2018 (Purchasing Policy). The policy provides guidelines for purchasing cards (P-Cards), request for check (RC) disbursements, purchase orders (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 Minority/Woman Business Enterprise (M/WBE) vendors must be given the opportunity to bid/propose.

Scope of Compliance Review Procedures Performed

The audit concentrated on operations and transactions occurring between April 1, 2021 and March 31, 2022. 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

POs less than \$20,000 were included as all purchases over \$20,000 are to be handled by the Purchasing Division per policy. Population and sample size tested are presented in the table below:

Population Category	Total Population	Total Tested
Assigned Purchasing Cards	2	2
Purchasing Cards	70	35
Purchase Orders*	331	57
Requests for Checks	17	14

* Purchase Orders of \$20,000 or greater were excluded from the review.

Findings and Recommendations

Finding #1: Eleven P-Card transactions' FROP codes were not appropriate.

Per proper accounting practices, P-Card transactions are required to have an accurate FROP code associated with the expenditure. The cardholder, supervisor, and department head are responsible for all transactions including the appropriateness of the purchase. It is recommended that an accurate FROP code is used to ensure accurate fund accounting of expenditures.

Management Response: In August 2022, Central Warehouse created a spreadsheet for frequently used object codes as a quick reference for processing all purchasing card transactions.

Object Codes for Purchasing Card Transactions

Item	Charge Code
Forklift Fuel	63-524504
Uniforms	63-526101
Alarm System	63-525107
Waste Management (Surplus Dumpster)	63-525101
Office Supplies	63-5221
Food Expense	63-5229
Supplies, Parts, & Tools	63-5261
Forklift Rental	63-527105
Postage, Mailing, & Courier	63-5204

Leadership has communicated the importance of using the correct codes, and the staff understands the importance of this policy and procedure.

Finding #2: Purchasing requirements were not met for four PO and five RC transactions.

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. There was no evidence of an attempt to obtain quotes for four PO transactions. When issuing a RC, the best price available should be sought with consideration to spending funds within the local economy. There was no evidence of obtaining the best price available for five RC transactions. It is recommended that the best price available be sought with consideration to spending funds locally through the solicitation of informal quotes/bids. Quotes for purchases under \$20,000 should only be obtained from non-local vendors if no qualified local vendor exists. Moreover, it is recommended that supporting evidence of these actions be retained.

Management Response: In August 2022, Central Warehouse had policy conversations with Russell Frye and Twanna Gates regarding the purchasing policy that requires soliciting local general vendors and MWBE vendors, allowing our community an opportunity to do business with the City of Winston-Salem.

Leadership has communicated the importance of the policy and procedures to ensure transactions are complete with the appropriate documentation attached in E-Works for completing IO and RC requests for vendors.

Finding #3: RC purchasing requirements were not met for five RC and four PO transactions.

Per the Purchasing Policy, quotes must be obtained from local M/WBE businesses if available. There was no evidence of soliciting M/WBE businesses for five RC and four PO transactions. It is recommended that the best price available be sought with consideration to spending funds with local M/WBE businesses. Moreover, it is recommended that supporting evidence of these actions be retained.

Management Response: In August 2022, Central Warehouse had policy conversations with Russell Frye and Twanna Gates regarding the purchasing policy that requires soliciting local general vendors and MWBE vendors, allowing our community an opportunity to do business with the City of Winston-Salem.

Leadership has communicated the importance of the policy and procedures to ensure transactions are complete with the appropriate documentation attached in E-Works for completing IO and RC requests for vendors.

Finding #4: Insufficient supporting documentation within e-Works.

The Purchasing Policy requires supporting documentation such as informal quotes and an explanation of efforts to obtain local vendors and M/WBE business. A lack of supporting documentation within e-Works was noted for Central. It is recommended for Central management to reiterate to staff the Purchasing Policy and the importance of including all necessary documentation within e-Works. It is also recommended for Central to ensure staff with purchasing responsibilities understand the City's Purchasing Policy.

Management Response: In August 2022, Central Warehouse had policy conversations with Russell Frye and Twanna Gates regarding the purchasing policy that requires soliciting local general vendors and MWBE vendors, allowing our community an opportunity to do business with the City of Winston-Salem.

Leadership has communicated the importance of the policy and procedures to ensure transactions are complete with the appropriate documentation attached in E-Works for completing IO and RC requests for vendors.

Finding #5: One RC transaction should have been procured on a P-Card.

Per the Purchasing Policy, only services or items that cannot be procured on a P-Card or PO should be paid for using a RC. It is recommended for Central to only use RCs when services or items cannot be purchased with a P-Card or PO.

Management Response: In August 2022, Central Warehouse acknowledged the finding of the request for checks used instead of purchase cards for transactions under \$1,000.00.

Leadership has corrected staff about this policy and procedure to remedy the condition for all future transactions, except for Warehouse Utility bills. A Reconciliation Report of purchases to management is now required and will provide checks and balances as a guarantee.

Finding #6: Purchasing requirements were not met for eWorks approvals.

Per the Purchasing Policy, purchase amounts from \$1 to \$4,999 require eWorks approvals from the requester, the secondary reviewer, and the department head. There was no evidence of approvals by a secondary reviewer for POs with purchase amounts from \$1 to \$4,999. It is recommended that Central ensures a secondary reviewer is added to their approval pathway within eWorks for POs.

Management Response: In August 2022, Central Warehouse acknowledged the finding of the E-Works Approval needed for Shanita Wright.

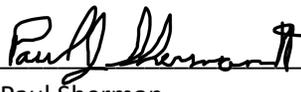
In August 2022, Central Warehouse completed a request to IS to change the signature process making Shanita Wright the secondary reviewer. The new approval process is complete.

Russell Broeneman - Requester
Shanita Wright – Secondary Review
Amanda Massey – Department Head
Johnnie Taylor – Assistant City Manager

Respectfully submitted,



Heather D. Smith
Internal Audit Administrator



Paul Sherman
Internal Auditor

DISTRIBUTION

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