



CITY OF WINSTON-SALEM REPORT ON COMPLIANCE WITH VENDOR SELECTION

For the 3 Months Ended December 31, 2019

Submitted by:
Office of Performance and Accountability
Internal Audit Division
May 2020

Overview of City-Wide Purchasing Practices

The City of Winston-Salem is committed to spending funds within the local economy and when possible, to use local Minority/Woman Business Enterprise (M/WBE) businesses. Local vendors are defined as any business with a physical address location (PO Box does not qualify) within the corporate limits of Winston-Salem. For companies that do maintain a "brick and mortar" presence in the city, it is permissible to utilize their online divisions when ordering supplies. For purchases made by City/County joint departments, local vendors also include businesses within Forsyth County.

City-Wide purchasing for the audit period is presented in the table below:

Purchasing Method	Total Number	Total Amount
Purchasing Card	5,207	\$936,523
Purchase Order	253	\$1,640,672
Request for Check	2,442	\$3,748,308

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 Checks (RCs), 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.

For all discretionary spending under \$20,000, the City of Winston-Salem requires that the following procedures be followed when purchasing goods and services:

- Local vendors must be used if available, and local M/WBE vendors must be given the opportunity to bid/propose. Explanation of efforts to obtain local businesses and M/WBE businesses shall be included with purchase requests.
- Quotes should only be obtained from non-local vendors if no qualified local vendors exist. Using vendors outside of Winston-Salem is allowed when there is not a qualified vendor within the city limits or State bidding laws require the selection of a low bidder that is outside the city limits.

Scope of Audit Procedures Performed

The audit concentrated on transactions occurring between October 1, 2019 and December 31, 2019. Discretionary spending under \$20,000 was reviewed for compliance with City administrative policies concerning local vendors and local M/WBE. Emphasis was placed on City Departments' purchasing transactions using P-cards, POs, and RCs. Sampling methods were based on testing an equal amount of transactions for each City Department.

Population and sample size tested are presented in the table below:

Purchasing Method	Total Population	Total Tested
Purchasing Card	5,207	242
Purchase Order	253	18
Request for Check	2,442	140

Findings

1. *Local vendors were not used.*

Per the Purchasing Policy, for all purchases under \$20,000, quotes should only be obtained from non-local vendors if no qualified local vendors exist. Explanation of efforts to obtain local businesses and M/WBE businesses shall be included with purchase requests. Purchasing cardholders are expected to obtain the best price available from local vendors for comparable quality items considering time, delivery, pick-up costs, and any other fees that might be charged. For RCs, the best price available should be sought with consideration to spending funds within the local economy and when possible, to local M/WBE businesses.

One P-Card and four RCs did not use local vendors. It is recommended for all departments to use local vendors when available and to include an explanation of efforts to obtain local vendors when not available.

2. *Purchasing transactions did not include an explanation for acquiring less than three quotes.*

Per the Purchasing Policy and Procedures Manual, for purchases anticipated to be less than \$20,000 the requesting department is to make an effort to obtain a minimum of three price quotes/bids or provide explanation for the reason for less than three quotes.

Two POs and five RCs did not obtain informal bids. Two POs and five RCs did not provide an explanation for having less than three bids. It is recommended for all departments to properly document explanations for not acquiring informal bids and/or for having less than three quotes.

3. *Purchasing transactions did not include an explanation of efforts to obtain M/WBE businesses.*

Per the Purchasing Policy, explanation of efforts to obtain M/WBE businesses shall be included with purchase requests. For RCs, the best price available should be sought with consideration to spending funds within the local economy and when possible, to local M/WBE businesses.

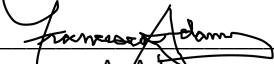
Four POs and five RCs did not include an explanation of efforts to obtain M/WBE businesses. It is recommended for all departments to include an explanation of efforts to obtain M/WBE businesses with all purchase requests and RCs within the supporting documentation in e-Works.

Observation and Recommendation

1. *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 businesses. A lack of supporting documentation was noted throughout all City departments. It is recommended for Management to reiterate to all City departments the Purchasing Policy and the importance of including all necessary documentation within e-Works. It is also recommended for all departments to ensure staff with purchasing responsibilities understand the City's Purchasing Policy.

Respectfully submitted,



Francesca A. Adams
Internal Auditor



Heather D. Smith
Internal Audit Administrator

Distribution

Lee Garrity
Damon Dequenne
Tasha Logan-Ford
Evan Raleigh
Ben Rowe
Lisa Saunders
Ken Millet
Scott Tesh