



CITY OF WILMINGTON

Contract Management Internal Audit Review

July 19, 2018

City Auditor's Office

Terence J. Williams
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Highlights

Why We Did This Audit

The Internal Audit Department (IA) performed a scheduled audit of the Contract Management for the Department of Parks and Recreation. The audit was in accordance with the 2018 Internal Audit Plan.

Methodology

During the audit period, July 1, 2016 to June 30, 2017, there were 51 open and active service contracts. The Department of Parks and Recreation was randomly selected for contract testing. To meet our objectives, IA reviewed each contract, reviewed 60 invoices against contracted terms and conditions, and examined the supporting documentation.

Audit Review Committee:

Robert C. Johnson, Chair

Ciro Adams
Marchelle Basnight
Angelique Dennis
Bud Freel
Ronald Pinkett
Tanya Washington

Objective and Scope

Internal Audit (IA) conducted a Performance Audit of the selected contracts within the Department of Parks and Recreation. Our objectives were to determine whether the Department of Parks and Recreation's contract activities are in compliance with the City of Wilmington's procurement requirements, to determine whether contract agreements were properly documented and enforced, and to examine whether there was adequate review and approval of invoices taking place. The scope of our audit focused on review of a sample of contracts in effect from July 1, 2016 to June 30, 2017. Internal Audit Department (hereinafter, occasionally, "IA") examined three contracts from the Department of Parks and Recreation and a sample of 20 invoices for each. IA believes that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We conducted our audit in accordance with Generally Accepted Government Auditing Standards ("GAGAS"). These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Contract management is a two stage process. The first stage is procurement, which includes vendors adhering to the City of Wilmington's Bidding Process, issuing contract, and acquiring the good or service. The second stage is contract monitoring, which includes a variety of steps taken to ensure the department receives what the contractor promised to deliver under the terms of the contract. For our review we focused on the second stage, the department's monitoring of contract related activities. We selected three contracts to review, which ranged in value from less than thirty thousand to over five hundred thousand. Also, a random sample of 20 invoices per contract was selected for testing.

Key Statistics:

Contract Type	FY2016		FY2017		FY2018	
	Contract Amount	Total Expenditure	Contract Amount	Total Expenditure	Contract Amount	YTD Expenditure*
Rental of Portable Toilets						
<i>Russell Reid/Mr. John</i>	N/A	N/A	28.9 K	28.8 K	33.3 K	39.2 K
<i>ARF Rental Services, Inc.</i>	30.8 K	34.8 K	N/A	N/A	N/A	N/A
William "Hicks" Anderson Security Guard						
<i>Security</i>	51.2 K	27.7 K	45.6 K	43.3 K	46.8 K	37.8 K
CACFP at Risk Child/Adult Care Food Program						
<i>Preferred Meal Systems, Inc.</i>	386.4 K	389.1 K	521.5 K	374.3 K	521.5 K	369.4 K

Note: Data was obtained from Munis as of June 6, 2018

What we found

Key Findings

Following are key issues that resulted in a process/area to be risk rated a three or four. See **Attachment A** for the detail of these and all comments identified during the review.

<i>Risk Ranking:</i>		(See Attachment B for full rating definitions)			
Process / Area	Process / Area Owner	1 Strong Controls	2 Controlled Effectively	3 Controlled - Improvement Required	4 Significant Improvement Required
Invoice Processing	Kevin Kelley			√	

Invoice Processing

1. During the course of the audit, we found noncompliance with pricing due to the contracted price not being used on invoices.

Based on detailed testing, it was noted that 17 of 20 (85%) invoices had incorrect pricing per unit, which resulted in overbillings and overpayments of approximately \$600. This occurred because the rate utilized on the invoices was for 30 days of usage, however, the correct price per unit and day should have been for 28-day rentals or less for most of the invoices.

Additional Observation

In addition to the incorrect pricing per unit on invoicing found during testing, we noted two invoices with terms not captured in the contract. One invoice contained a “False Trip Charge” and the other contained a “Minimum Service Charge.” Improved review and oversight of invoices will ensure contract monitoring is more consistent.

Management Responses to Audit Recommendations

Summary of Management Responses

Recommendation #1: Management should implement a review process to validate whether the rate on invoices agrees with the contract price per unit/day and ensure there is an accurate count. Management should also issue a credit memo whenever an error occurs due to an overcharged rate.

Agree

Department of Parks and Recreation Management response & action plan: Management responses were not received at the time of audit publication but will be provided by management at a later date.

Completion Date: TBD

Audit Team

Toni Cleaver, Senior Auditor
Tamara Thompson, Audit Manager