



# Emergency Procurement Controls



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# Emergency Procurement Controls Audit

## Executive Summary

### Objective

This audit was conducted to determine whether adequate controls have been established to ensure compliance with purchasing requirements, including the appropriate use of emergency purchase exceptions.

### Background

City Procurement, a division of the General Services Department, manages the centralized oversight of procurement and contracting activities.

On April 13, 2020, City Council authorized the City Manager and his designees to procure goods and services under the emergency exception to public bidding laws.

The authorization allows departments to bypass formal solicitation requirements when addressing procurement needs in response to the COVID-19 pandemic.

### Conclusion

City Procurement has established adequate controls to ensure departments comply with purchasing requirements, including emergency exceptions.

### Highlights

- 1. City Procurement's controls for procurement requirements, including the appropriate use of emergency purchasing exceptions are adequate.***
  - Accurate classification and relevant documentation were appropriate.
- 2. With a few exceptions, Departments adhered with Procurement Policies.***
  - One transaction was not paid based on the contract terms and another was not properly expensed to the respective contract.

### Recommendation

Departments should follow contract payment agreements and ensure transactions are properly expensed to the corresponding contracts.

### Actions Planned

Two departments have taken corrective action to resolve the matters noted, and to prevent future errors.

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## Background

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City Procurement, a division of the General Services Department, is the City of Charlotte's internal support organization responsible for the acquisition of commodities, services and technology contracting. The department manages the centralized oversight of procurement and contracting activities.

North Carolina General Statutes 143-129 and Section 1.12.2 (Emergency Purchases) of the City-wide Procurement Policy (MFS 24) allows exceptions to the general requirement for competitive solicitations when a special emergency is in effect and the City Council adopts a resolution setting out the facts constituting the emergency. On April 13, 2020, City Council authorized the City Manager and designees to procure goods and services under the emergency exception to public bidding laws. The authorization allows departments to bypass formal solicitation requirements when addressing procurement needs in response to the COVID-19 pandemic. This determination was retroactive beginning January 20, 2020.

In addition, through the Coronavirus Relief Fund (CRF), the City of Charlotte accepted \$154.5 million to fund expenditures that are incurred due to the public health emergency with respect to the disease, not included in the most recent budget and made between March 1, 2020, and December 30, 2020. A unique journal entry location code was created to track expenditures for COVID-19 purposes.

## Objective

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This audit was conducted to determine whether adequate controls have been established to ensure compliance with purchasing requirements, including the appropriate use of emergency purchase exceptions.

## Scope, Methodology, and Compliance

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### Scope

The audit reviewed City-wide transactions from March through July 2020. This included emergency purchases authorized by the April 2020 resolution by City Council, with some focus on (but not limited to) COVID-19 related purchases.

### Methodology

To achieve the audit objectives, auditors performed the following:

- Using a statistical sample, reviewed 43 of 329 transactions coded as an emergency need exceeding \$10,000 with or without a contract in place,
- Using a statistical sample, reviewed 46 out of 257 non-emergency transactions exceeding \$10,000 with or without a contract in place,

- Using query of new vendors established during the scope period, reviewed all seven non-emergency transactions paid,
- Reviewed all 10 transactions coded as COVID-19 and expensed in the 319999 location with new vendors,
- Using a statistical sample, reviewed 26 out of 313 new contracts, and
- Judgmentally selected 94 transactions less than \$10,000.

## Compliance

We conducted this performance audit in accordance with generally accepted government auditing standards. Those 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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Findings and Recommendations

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### **1. City Procurement's controls for purchasing requirements, including the appropriate use of emergency exceptions are adequate.**

In April 2020, City Council authorized the City Manager and his designees to procure goods and services under the emergency exception to the public bidding laws without following the formal solicitation requirement to address and mitigate the City's procurement needs in response to the COVID-19 pandemic. City Procurement manages purchasing activities through the City-Wide Procurement Policy (MFS24). Auditors reviewed transactions and contracts for compliance and noted the following.

- Departments appropriately identified and recorded COVID-19 related transactions. The City is eligible to receive reimbursement from the Coronavirus Relief Fund (CRF) for these types of expenditures.
- Departments used the emergency purchasing exception when required. A waiver form was included in the documentation.

### **2. With a few exceptions, Departments adhered with Procurement Policies.**

The City-wide Procurement Policy (MFS24) Section 1.1.12 states:

*A Purchase Order or P-Card shall be used when making purchase against an approved Contract (encumbered or unencumbered) for Goods, Services, and/or Technology. Also, Section 1.1.17 states Project accounts must be applied to all Contracts, Requisitions, and P-Card transactions to be charged to a Project.*

The following issues were noted:

- Charlotte Water paid 15 invoices totaling \$343.03 to a vendor that did not adhere to the agreed upon Blanket Purchase Order (PO). Meal purchases were not to exceed \$10 per person for employees who worked after hours for emergency water and sewer repairs.
- Housing and Neighborhood Services (HNS) did not apply eight invoices totaling \$3,757, against an approved vendor contract. The invoices were for removal of trash and debris from abandoned properties.

**Recommendation:** Departments should follow contract payment agreements and ensure transactions are properly expensed to corresponding contracts.

**Value Added:** Compliance; Risk Reduction

***Charlotte Water Response:*** Agreed. The Blanket PO was entered at a time when meals were not to exceed \$10. This amount made it difficult to purchase meals plus a drink for employees and it was increased to \$15. Individual invoices for meals will be used in the future.

***Housing and Neighborhood Services Response:*** Agreed. These amounts will be retroactively applied to decrease the available amount. Subsequent charges will also be applied to the contract. The department updated its business processes to include contract numbers on purchase orders which allows expenses to be applied to corresponding contracts.

## Conclusion

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City Procurement has established adequate controls to ensure departments comply with purchasing requirements, including emergency exceptions.

## Distribution of Report

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This report is intended for the use of the City Manager's Office, City Council, and all City departments. Following issuance, audit reports are sent to City Council and subsequently posted to the [Internal Audit website](#).