

**CITY OF PINELLAS PARK
NAPA AUTO PARTS
INTEGRATED SUPPLY AGREEMENT AUDIT
AUGUST 11, 2021**

Introduction:

The City of Pinellas Park and Genuine Parts Company, d/b/a NAPA Auto Parts (NAPA) entered into an agreement effective July 1, 2019. The primary benefits of this agreement are: hours saved by Fleet mechanics not searching around for required parts and also obtaining parts quickly at good prices. As a result, the City wants to examine the contract compliance of the vendor and determine if it is functioning in the best interest of the City.

Background:

The agreement provides NAPA an on-site store at the City's Public Works Operations Center. NAPA provides the inventory and all personnel required to operate the on-site store. The City of Pinellas Park provides NAPA a place to store inventory separately from City. The City of Pinellas Park obtains auto parts from NAPA at their cost plus a 10% net profit. The City also pays a monthly administrative fee to cover the costs of running the on-site store and an allocation of NAPA's general and administrative costs.

We met with Fleet/Facilities Director, Steve Majko and the Public Work's Clerk, Rae-Ann Willis to discuss the NAPA policies and City procedures. The Fleet division is able to reconcile and identify all of the City purchases monthly. They are diligent in daily reconciliations to avoid hours or days spent at the end of the month to resolve any issues. At the date of our meeting, there were no written procedures for reconciliations.

Scope:

The agreement between the City of Pinellas Park and NAPA requires a separate and secure inventory location. We made an in person visit to the garage and met with Ken the NAPA employee. The inventory is kept inside a separate store room, and is organized and labeled so that parts are easy to find. There is communication between the NAPA Manager and the City's Lead Auto Mechanic about fleet changes which reduces the risk of obsolete inventory.

We decided to review monthly statements and invoices from January 2021 through May 2021. The invoices were sorted by price and part number. Parts data was then sorted by items under \$100 and items \$100 and over. These separate lists was reviewed by the OMB Administrator for reasonableness and for possible selection in our audit sample. It was decided to select a sample of 69 items (out of a total population of 545), using judgmental sampling, from the list of parts of \$100 and over. This list was provided to the NAPA Operations Manager and the invoice copies of products purchased was provided to the City of Pinellas Park. Each invoice provided by NAPA was reviewed to see if the City was billed accurately and the 10% pricing above cost was being met. All invoices were reasonably close to the 10% pricing agreement. Note that the annual parts costs normally is an estimated \$700,000. There was no evidence that the City was not being billed costs in accordance with the NAPA contract.

In addition, the NAPA contract indicates that the City will be responsible for paying 100% of the expenses of the inventory storage area including Park include but not limited to vehicle gas, maintenance costs, Wi-Fi and telephone, salary and benefits of NAPA employee, insurance, worker's

compensation, and any deductible for losses. These expenses normally run around \$6,100 monthly or \$73,000 annually. We reviewed these costs and did not find any of these costs that were not supported.

The NAPA contract also provided that the City will pay certain corporate general and administrative expenses. These include executive salaries (1% of sales), accounting & data processing (.5% of sales), and general office (.5% of sales). These costs fluctuate with sales but normally run around \$925 monthly or \$12,500 annually. On an annual basis, the storeroom and general & administrative expenses are an estimated \$90,000.

Recommendations:

1. There are no written procedures in the division to reconcile and identify all of the City purchases monthly. It is important that there be written procedures for these types of tasks for training and audit purposes. We recommend the division management develop written procedures for this procedure as well as any other important jobs or tasks.

Management: Agrees with this recommendation.

2. The Fleet division also has access to the NAPA ProLink system. This system would allow Fleet to verify the cost plus 10% profit of parts purchased. We recommend that Fleet verify a sampling of items purchased on a quarterly basis. In addition, we also suggest that a sampling of items purchased from NAPA be independently shopped with other auto part vendors by the Fleet Manager. This will provide assurance that the City is obtaining good pricing from NAPA. The results of both these recommendations should be continuously documented and filed in the division for subsequent review and audit.

Management: Agrees with this recommendation.

3. There are nine (9) other Public Works divisions besides Fleet that are able to order items through NAPA. At the time of the audit, NAPA did not have access in Munis to charge any of these other work orders. As a way to reduce fraud risk, we recommend that all work orders be charged for parts and that they, along with the expenditures, be approved by the applicable divisional director or manager. All City purchases must comply with Administrative Regulation 13.43 entitled Procedure for Purchasing Documents/Expenditure of City Funds.

Management: Agrees with this recommendation.

Conclusion:

We have performed a compliance audit of the NAPA contract. The audit procedures used and the resultant recommendations are outlined above. This agreement will expire on December 29, 2024 unless it is terminated earlier by either of the two parties. We thank both the Fleet Maintenance management and NAPA managers for their assistance during the audit.

Submitted by,

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