

# *City of Albuquerque*

## **Office of Internal Audit**

FOLLOW-UP OF THE  
Parts Plus of New Mexico, Inc. Citywide  
Vendor Audit  
Report 23-18-105F  
Date: April 26, 2023

### **INTRODUCTION**

The Office of Internal Audit (OIA) issued Parts Plus of New Mexico, Inc. Citywide Vendor Audit on February 27, 2019. OIA completed a follow-up to determine the corrective actions that the Finance & Administrative Service Department (DFAS) has taken in response to the report. The report contains six recommendations that remain open.

### **BACKGROUND**

OIA completed a citywide vendor compliance audit on February 27, 2019. The original audit was included in OIA's fiscal year FY2018 audit plan. The purpose of this audit was to review and report on Parts Plus of New Mexico, Inc's contract and billing compliance. Specifically, the audit objectives were to determine the following:

- Are the vendor's billings accurate and in conformance with the contract?
- Is the vendor in compliance with the insurance requirements of the contract?

Parts Plus was founded in 1981 and is a wholesale distributor of automotive and truck parts locally owned and services in New Mexico and Southern Colorado. The website states that it is "dedicated to bringing the fastest delivery of the highest quality parts to the professionals who service your vehicle."<sup>1</sup>

The City of Albuquerque (City) contracts with Parts Plus to provide automotive parts and tools for numerous departments that perform vehicle maintenance. Parts Plus has been a City vendor since 2011. In order to expedite the procurement process, the City used the State of New Mexico's price agreement No. 60-000-16-00050BK to contract with Parts Plus.

Further information pertaining to the audit scope, limitations, and methodology can be found in Appendix A of the original audit report.

The audit found that City departments are not verifying the accuracy of contractual pricing compliance of the invoices prior to placing orders or authorizing payment. From a Parts Plus statement dated September 6, 2018, there were outstanding unpaid invoices totaling \$140,604 and unapplied credits totaling \$17,630. The following issues were identified as part of the original audit:

- Incorrect discount rates were charged for parts.
- The vendor is not using manufacturer retail prices as the base prices for applying established discount rates.

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<sup>1</sup> "About Parts Plus New Mexico," Parts Plus Auto Parts, < <https://partsplusnm.com/about> >, accessed Apr. 21, 2023.

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### **FOLLOW-UP OBJECTIVE**

The objective of this follow-up was to determine whether DFAS has taken the corrective actions recommended in OIA's original report. Consistent with *Government Auditing Standards*, Section 9.08, promulgated by the U.S. Government Accountability Office, the purpose of audit reports includes facilitating a follow-up to determine whether appropriate corrective actions have been taken. This field follow-up is a non-audit service. *Government Auditing Standards* does not cover non-audit services, which are defined as professional services other than audits or attestation engagements. Therefore, DFAS is responsible for the substantive outcomes of the work performed during this follow-up and is responsible to be in a position, in both fact and appearance, to make an informed judgment on the results of the non-audit service. OIA limited our scope to actions taken to address our audit recommendation from the original audit report dated February 27, 2019 through the submission of actions on April 13, 2023.

### **METHODOLOGY**

To achieve the objective, OIA performed the following steps:

- Obtained documentary evidence from DFAS.
- Interviewed DFAS staff to understand and verify the status and nature of the corrective actions taken.
- Verified the status of the recommendations that DFAS had reported as implemented.

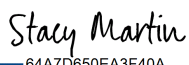
### **RESULTS**

Of the six recommendations identified in the original audit report, all remain open. See ATTACHMENT 1. OIA will continue to monitor the corrective actions taken by the department in response to the report.


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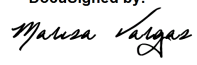
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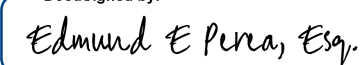
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Committee Chairperson

## ATTACHMENT 1

Recommendations	Responsible Agency	Department Response	OIA Conclusion	<u>OIA Use Only</u> Status Determination
<p><u>Recommendations #1-6</u></p> <p>The CAO should:</p> <ul style="list-style-type: none"> <li>• Ensure user departments verify that future pricing and discount rates are accurate and in conformance with the contract. Obtain documentation if Parts Plus is going to offer deeper discounts.</li> <li>• Request that the vendor reimburse the City for the calculated net overpayment of top-purchased Raybestos parts of \$14,778 and overcharges identified in the discount analysis during the audit period of \$2,853 (\$5,632 less \$2,779 included in the list price analysis).</li> <li>• Work with the vendor to determine if any of the favorable discounts that Parts Plus identified as errors totaling \$17,607 may be considered for an offset against the overcharges.</li> <li>• Ensure the manufacturer list price is being used as the base price to be discounted.</li> </ul>	<p>Finance &amp; Administrative Service Department (DFAS)</p>	<p>“Per DFAS Accounting, they were not able to find anything that would indicate that the city was refunded. The Accounts Receivable Section did not send an invoice, and they weren’t able to find a credit memo in the amount shown on the IA report. If a check was sent and was deposited (without an invoice from AR), they wouldn’t be able to find that without knowing an approximate date and amount of the deposit.”</p> <p><b>Documentation:</b> Email from Stephanie Yara, Director of DFAS An updated contract was provided by the Purchasing Division.</p> <p><b>Completion:</b> April 13, 2023</p>	<p>The Office of Internal Audit (OIA) was provided with an updated contract effective 2/22/2022 through 07/09/2023, when Parts Plus of New Mexico was acquired by Parts Authority. Upon review, OIA found that the updated contract with the City of Albuquerque (City) eliminated a listing of differing discounts per item and replaced it with an overall description that states, “50% All Parts will be at least 50% Off List Price.” Additionally, OIA noted that the contract is directly linked to the New Mexico General Services Department (GSD) State Pricing Agreement with prices listed for specified items by vendor. Both of these changes eliminate the existence of different price listings.</p> <p>The Accounts Receivable Division of DFAS has no documentation to indicate the Division worked with Parts Plus and respective City departments who utilize the</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>

## ATTACHMENT 1

Recommendations	Responsible Agency	Department Response	OIA Conclusion	<u>OIA Use Only</u> Status Determination
<p>If the manufacturer list price is not available, the City should request that the vendor seek clarification from New Mexico State General Services Department (GSD) to define the alternative pricing terms described in the SPA as “Contractor’s Cost List” and “Actual Net Cost”.</p> <ul style="list-style-type: none"> <li>• Work with the vendor to amend the City’s contract to include clarification of availability and use of manufacturer’s retail price and to define the terms “Contractor’s Cost List” and “Actual Net Cost”.</li> <li>• Once the pricing terms are clarified, the City should work with the vendor to determine if any additional overcharges may have resulted from not using the proper pricing for the contract period.</li> </ul>			<p>contract to remedy the net overpayment calculated in the original audit. In such situations, the standard practice is to request a credit memo or a refund from the vendor.</p> <p>DFAS’s Purchasing Division has taken a number of actions to guide City end-users with invoice review and payment approval guidance such as amending <i>Administrative Instruction 3-7</i> to streamline the vendor payment process and clarify the roles of city users, providing ongoing reminders in PLUG meetings about reviewing contracts before ordering from them, reviewing quotes, ensuring the proper review of invoices, and the importance of end-user approval responsibility in the workflow. However, it is the responsibility of all City Departments to ensure vendor compliance with contractual agreements.</p>	