

# City of Greensboro

October 29, 2004

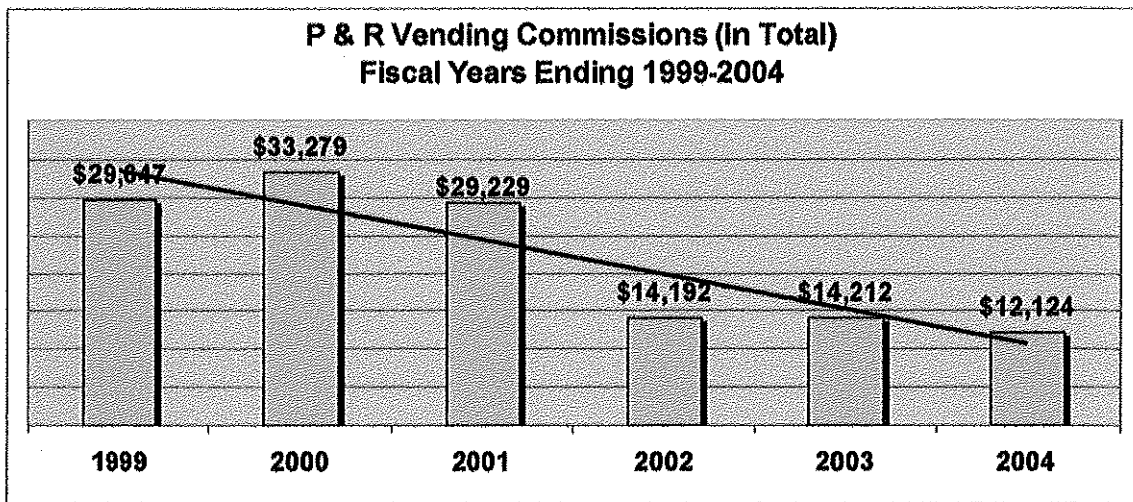
Date:

To: Bonnie Kuester, Parks and Recreation Director

From: Internal Audit

Subject: Analysis of P&R Vending Revenues / Audit of Cooke Vending & Snax, Inc.

The Internal Audit Division has conducted an analysis of Parks & Recreation's (P&R) vending revenues over the past six fiscal years. Revenues reported for fiscal year-end 1999-2004 were as follows:



*\* Data obtained from Budget Revenue Statements each year.*

As indicated in the above graph, revenues declined 51% between fiscal years ending 2001 and 2002. The decline resulted from a change in vendors, along with a reduced commission rate. In early 1999, a Request for Quotation (RFQ) 99-525 was issued by the Purchasing Division to solicit bids from various vending companies. Coca-Cola Bottling Company Consolidated (Coke) was awarded this bid on June 28, 1999, with an initial contract period of July 1, 1999 through June 30, 2001. Under the agreement, Coke paid P&R a 35% commission on the net sales from beverages; and Lance Company, their subcontractor, paid a 25% commission on the net sales from snacks. As depicted above, commissions revenues were highest in years 1999-2001.

By February 2000, P&R staff began expressing their concerns regarding Coke's services. Many facilities were not receiving drink products as requested, and the snack prices and products were inconsistent throughout the facilities.

Problems with Coke's services continued to escalate over the months. Finally, on November 29, 2000, a 30-day notice of cancellation was mailed to Coke by the Purchasing Division. The same day, RFQ 00-609 was mailed to a list of potential vendors to solicit their bids. Cooke Vending & Snax, Inc. (Cooke) was selected, and an acceptance letter was mailed to them on December 21, 2000. Under this agreement (presently in enforcement), Cooke pays all facilities (except Bur-Mil locations) a 10% monthly commission based on the net sales from both snacks and drinks. Bur-Mil receives a 20% commission since their products are price slightly higher than other P&R facilities. The City began receiving commissions from Cooke under this agreement in February 2001; thus contributing to the slight decline in revenues reported for fiscal year ended June 2001.

We also conducted an audit of RFP 00-609. The objectives of this audit were:

- To determine if Cooke Vending & Snax supplies, services, and maintains vending machines in accordance with specifications of the agreement.
- To determine if commission payments are accurate, timely, and documentation is provided in accordance with the agreement.

There were no findings to report. We commend Cooke on the great services they provide to the City and the citizens of Greensboro.

We would like to thank Cooke Vending & Snax, Inc. and the staff at the Parks and Recreation Department for their courtesy and cooperation shown us during this audit. If you have any questions or concerns, please contact us at 373-4528.



Tina McKoy  
Internal Auditor II



Len Lucas  
Internal Audit Director

Cc: Ben Brown, Assistant City Manager, Economic Development  
Bob Morgan, Assistant City Manager