Post-Audit Review 17-10:
Tool Room Inventory Process

December 2018

City Auditor
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OFFICE OF INTERNAL AUDIT

Stan Sewell, City Auditor

December 13, 2018

To: Mayor Andy Berke
        City Council Members

Subject: Post-Audit Review of Tool Room Inventory Process (Report #17-10)

Dear Mayor Berke and City Council Members:

Attached is a summary report on the status of audit recommendations in our 2018 Tool Room Inventory Process report. The purpose of this report is to confirm whether, and to what degree, management has implemented the recommendations made in the original audit.

The original audit concluded:

1. Written policies and procedures were needed;

2. Improvement of controls to ensure inventory accuracy was needed;

3. Increased management oversight was needed; and,

4. Improved physical security was needed.

The audit had 8 recommendations to improve efficiency and effectiveness of the tool room inventory process. At the time of this Post-Audit Review, three recommendations were not implemented, one was partially implemented, and four were implemented. Recommendations partially implemented and not implemented are herein reported to the Audit Committee for follow-up, as appropriate.

This Post-Audit Review consisted principally of inquiries of City personnel and examinations of various supporting documentation. It was substantially less in scope than an audit in accordance with generally accepted government auditing standards. The evidence obtained provided a reasonable basis for our conclusions; however, had an audit been performed, other matters might have come to our attention that would have been reported to you and our conclusions may have been modified.

Sincerely,

Stan Sewell, CPA, CGFM, CFE
City Auditor

Attachment

cc: Audit Committee Members
        Jim Arnette, TN Local Government Audit
        Stacy Richardson, Chief of Staff
        Maura Sullivan, Chief Operating Officer
        Daisy Madison, Chief Financial Officer
        Justin Holland, Public Works Administrator
        Ricky Colston, Director of Citywide Services

RECOMMENDATIONS NOT IMPLEMENTED (3)

	Recommendation	Actions Taken
1	We recommended City Wide Services establish written policies and procedures for the tool room inventory process. The policies and procedures should include, among other measures, procedures to address the recommendations that followed.	The staff of City Wide Services are in the process of establishing written policies and procedures for the tool room inventory process.
7	We recommended City Wide Services, in collaboration with the City's Information Technology Department, assess the inventory system and identify potential opportunities for improvement, including, but not limited to interface and integration with other City software programs.	The Inventory Coordinator advised us, the City's Information Technology Department is going to either develop or acquire an inventory system that can be used universally by all city departments.
8	We recommended City Wide Services address the lack of sufficient warehouse space for apparel by adding additional shelving. Also, consideration should be given to reducing apparel inventory levels.	Shelving has been acquired. However, the shelving has not been installed.

RECOMMENDATION PARTIALLY IMPLEMENTED (1)

	Recommendation	Actions Taken
6	We recommended the review and improvement of access controls of the tool room inventory. Appropriate actions include, but are not limited to, reduction in the number of access codes and installation of security cameras.	The number of access codes has not been reduced. However, to mitigate risk, a camera has been installed showing the entrance to the tool room building. The surveillance video is stored for 60 days.

RECOMMENDATIONS FULLY IMPLEMENTED (4)

	Recommendation	Actions Taken
2	We recommended City Wide Services personnel ensure inventory records are accurately maintained, and enforce inventory policy and procedures, when established, to ensure consistent and accurate inventory records.	The Inventory Coordinator and the tool room inventory staff are ensuring accurate records are maintained, as well as enforcing inventory policies and procedures.
3	We recommended the use of pre-numbered forms for inventory requisitions and issues. Additionally, the employee name on the check-out form (issues) should also be printed.	Pre-numbered forms for inventory requisitions and issues are used. Also, the employee name on the check-out form is printed, as well as signed.
4	We recommended the Inventory Coordinator periodically perform test counts of the inventory items in order to monitor inventory accuracy.	The Inventory Coordinator periodically (at least monthly) performs test counts in order to monitor inventory accuracy.
5	We recommended the tasks be divided between the tool room inventory staff as much as possible. Additionally, we recommended the use of compensating controls by utilizing the Inventory Coordinator to review the tool room inventory transactions, as well as approve all manual adjustments to the inventory.	The Inventory Coordinator periodically performs test counts of inventory items, as well as approves all manual adjustments to the inventory.

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