Office of Internal Audit

Post-Audit Review 19-03: Fleet Garage Inventories

October 2020

City Auditor
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OFFICE OF INTERNAL AUDIT
Stan Sewell, City Auditor

October 5, 2020

To: Mayor Andy Berke
        City Council Members

Subject: Post-Audit Review of Fleet Garage Inventories, Audit 19-03

Dear Mayor Berke and City Council Members:

Attached is a summary report on the status of audit recommendations in our 2019 Fleet Garage Inventories 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. Policy and procedure manuals were not in place; and,

2. Internal controls needed to be strengthened.

The audit had nine recommendations related to development of a policy and procedure manual, as well as addressing internal control deficiencies in Fleet Inventory management. At the time of this Post-Audit Review, seven recommendations were not implemented and two were partially 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
        Kerry Hayes, Chief of Staff
        Maura Sullivan, Chief Operating Officer
        Daisy Madison, Chief Financial Officer
        Justin Holland, Administrator, Public Works
        Gary Franks, Director, Fleet Management
        Jim Arnette, TN Local Government Audit

RECOMMENDATIONS NOT IMPLEMENTED (7)

	Recommendation	Actions Taken
3	We recommended procedures be developed and put in place to ensure manual adjustments to inventory records are approved by management, backup for any adjustment be retained and management review adjustment reports at least monthly.	This recommendation has not been implemented.
4	We recommended Fleet put a policy in place to ensure parts that have been charged to a work order and returned to the parts room be immediately reversed from the work order and entered in inventory.	This recommendation has not been implemented.
5	We recommended Fleet limit access to parts room personnel at the 12th Street garage using a system similar to that at the Amnicola garage.	This recommendation has not been implemented. An RFP was let several months ago, but final bids have not been received.
6	We recommended Fleet begin regularly performing spot checks on parts inventory. The list of items should not contain the expected quantity on hand. Documentation of the spot checks should be approved by management after completion, scanned and retained. This function should also be included in the policy and procedures manual.	This recommendation has not been implemented.
7	We recommended a methodology be developed to regularly reassess reorder points for all parts with automatic reorder points.	This recommendation has not been implemented. There is no methodology to periodically adjust automatic reorder points and quantities The Amnicola Garage personnel adjust reorder points when they notice they are incorrect for current usage, but do not have a standard procedure.

Recommendations Not Implemented (continued)

Recommendation	Actions Taken
8 We recommended a policy be written and enforced that obsolete inventory be reviewed at a set period of time after its last use to determine if it should remain in inventory.	This recommendation has not been implemented.
9 We recommended Fleet work with IT to develop an interface between RTA and Oracle for inventory receipts. In the interim, we recommend a receiving document from RTA be presented with the invoice and the amounts be reviewed prior to entry into Oracle, strengthening internal control.	This recommendation has not been implemented. Fleet is looking at purchasing a cloud version of Robert Turley and Associates (RTA) inventory management software that will include interfacing to Oracle. Implementation will take place when funding and IT resources are available.

RECOMMENDATION PARTIALLY IMPLEMENTED (2)

Recommendation	Actions Taken
1 We recommended Fleet management develop a Policy and Procedure Manual, including sections addressing parts purchasing, handling and issuance to work orders. This recommendation was also made in Audits 09-11 and Audit 11-05.	This recommendation is partially implemented. Fleet Division has developed base policies on the Public Works policy site, but has not developed specific function-related procedures for jobs included in the parts room inventory process.
2 We recommended all special order part purchases be entered into RTA and disbursed following normal procedures.	This recommendation is partially implemented. The 12th St Garage charges special order parts directly to the work order. All parts purchases at the Amnicola Garage are added to RTA and charged to the work order when relieved from inventory.

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