

**Post-Audit Review 20-03:
Capital Assets Management**

October 2021

City Auditor

Stan Sewell, CPA, CGFM, CFE

Senior Auditor

Richard Walls, CPA, CIA, CMFO





OFFICE OF INTERNAL AUDIT

Stan Sewell, City Auditor

October 18, 2021

To: Mayor Tim Kelly
City Council Members

Subject: Post-Audit Review of Capital Assets Management (Report #20-03)

Dear Mayor Kelly and City Council Members:

Attached is a summary report on the status of audit recommendations in our 2020 Capital Assets Management 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. An update of the policies & procedures is needed, as well as training;
2. The policies & procedures should be reviewed and updated at least annually;
3. The policies & procedures should be complied with in regard to the frequency and completeness of physical inventories;
4. Reoccurring training for those involved in the approval process is needed to ensure they understand the process, including proper account coding; and,
5. A plan of action for a detailed inventory count is needed, instructing personnel to detect and correct errors.

The audit had 5 recommendations to improve efficiency and effectiveness of the capital assets management process as well as address internal control deficiencies. At the time of this Post-Audit Review, two recommendations were not implemented, one was partially implemented, and two 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
 Brent Goldberg, Chief of Staff
 Julia Bursch, Deputy Chief of Staff
 Daisy Madison, Chief Financial Officer
 Brian Smart, Operations Manager
 Paul Boylan, Accountant
 Jim Arnette, TN Local Government Audit

RECOMMENDATIONS NOT IMPLEMENTED (2)

Recommendation

We recommended the Finance Department comply with their Policies & Procedures Guide for Capital Assets in regard to the frequency and completeness of physical inventories.

We recommended reoccurring training for department liaisons and staff involved in the approval process to ensure they understand the capital asset purchase process, including proper account coding.

Actions Taken

The Finance Department plans to comply with the guide by distributing a capital assets listing to departments, following the fiscal year 2021 closing. The list will be validated and any necessary changes will be reported. This process will be followed annually. It is estimated the initial listing will be available to the departments in November 2021.

Following the fiscal year 2021 closing, capital assets will be transferred to the new system. Sensitive Minor Equipment will also be brought into the system for the first time. Training on the guide will take place after the initial capital asset listing is complete and available to the departments. Account coding is included in the guide as Exhibits A and B, and will be part of the training.

RECOMMENDATION PARTIALLY IMPLEMENTED (1)

Recommendation

We recommended the Finance Department update their Policies & Procedures Guide for Capital Assets after reviewing their process for fixed assets management. Training should be provided after the guide is updated.

Actions Taken

The finance department completed a full review of the Policies & Procedures Guide for Capital Assets and uploaded the updated version to the employee eportal effective January 2021. Training will be held on the guide after fixed assets are transferred to the new system, following the fiscal year 2021 closing.

RECOMMENDATIONS FULLY IMPLEMENTED (2)

Recommendation

We recommended the Policies & Procedures Guide for Capital Assets be reviewed and updated at least annually.

We recommended the Finance Department develop a plan of action for a detailed inventory count that will instruct personnel to detect and correct errors. The Finance Department should ensure physical counts are executed in accordance with the Policy & Procedures Guide for Capital Assets.

Actions Taken

The finance department reviewed and updated the policies and procedures guide effective January 2021, and will review and update the policies and procedures guide annually (page 7 of the guide).

The finance department has updated the policies and procedures guide with more detailed guidance and plans to train employees how to detect and correct errors on the capital assets and sensitive minor equipment listings. The training will include conducting the physical counts in accordance with the policy and procedures. Additionally, the finance department has instituted procedures to ensure compliance by identifying noncompliant departments.

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