

Internal Audit Division
City of Greensboro

August 24, 2015

TO: Steve Drew, Director of Water Resources

FROM: Internal Audit Division

SUBJECT: City Inventories – Fiscal Year Ended June 30, 2015
(No Response Required)

The Internal Audit Division has conducted inventory test counts and reconciled inventories to the June 30, 2015 balance sheets. The total of all inventories is \$6,739,117. The results of the inventory reconciliations are as follows:

<u>Name of Inventory</u>	<u>Physical Inventory at 6/30/15</u>	<u>Physical Inventory at 6/30/14</u>	<u>Increase (Decrease) to G/L 2014-2015</u>	<u>Increase (Decrease) to G/L 2013-2014</u>	<u>% of Variance 2014-2015</u>	<u>% of Variance 2013-2014</u>
<u>Lawson System:</u>						
Field Operations - Warehouse	\$ 733,828	\$ 744,541	\$ (479)	\$ (2)	-0.065%	0.000%
Water Meter Shop*	\$ 103,202	\$ 52,423	\$ -	\$ -	0.000%	0.000%
Water Resources City Yard	\$ 1,466,020	\$ 1,297,245	\$ (6,886)	\$ (5,150)	-0.470%	-0.397%
Coliseum Housekeeping	\$ 44,392	\$ 48,918	\$ 150	\$ (35)	0.339%	-0.072%
<u>Faster System:</u>						
Parks and Recreation - Parts	\$ 16,307	\$ 9,813	\$ 691	\$ 62	4.236%	0.631%
Field Operations - Right of Way Parts	\$ 18,826	\$ 21,034	\$ (43)	\$ 65	-0.226%	0.309%
Fire Garage	\$ 218,466	\$ 210,513	\$ 1,154	\$ (262)	0.528%	-0.125%
Field Operations - Landfill Parts	\$ 5,000	\$ 12,551	\$ (358)	\$ 192	-7.155%	1.530%
Greensboro Transit Authority - Parts	\$ 340,986	\$ 304,755	\$ 967	\$ 477	0.283%	0.156%
Greensboro Transit Authority - Outside Commercial	\$ -	\$ -	\$ -	\$ -	0.000%	0.000%
Greensboro Transit Authority - Tire	\$ 39,286	\$ 20,719	\$ (743)	\$ 161	-1.892%	0.778%
Equipment Services - Parts	\$ 445,858	\$ 485,582	\$ (655)	\$ (16,885)	-0.147%	-3.477%
Equipment Services - Outside Commercial	\$ -	\$ -	\$ -	\$ 1,309	0.000%	0.161%
Equipment Services - Fuel	\$ 183,402	\$ 264,547	\$ -	\$ 34,692	0.000%	13.114%
Equipment Services - Tire	\$ 82,529	\$ 89,004	\$ 2,168	\$ (2,060)	2.627%	-2.314%
<u>Manual/Other:</u>						
Gillespie Golf Merchandise*	\$ 7,759	\$ 12,097	\$ (4,338)	\$ 3,259	na	na
Water Resources Chemical*	\$ 489,571	\$ 440,920	\$ 48,651	\$ (29,388)	na	na
Osborne Parts*	\$ 2,462,721	\$ 2,584,869	\$ (122,148)	\$ 16,492	na	na
Network Services - Parts	\$ 52,498	\$ 57,662	\$ (3)	\$ 80	-0.006%	0.139%
Graphic Services - Print Shop*	\$ 28,467	\$ 32,639	\$ (4,172)	\$ (1,725)	na	na
TOTAL	\$ 6,739,117	\$ 6,689,831				

*Purchases are expensed throughout the year. An adjustment is made to the inventory account to reflect the physical balance at year-end.

Osborne Parts Inventory (501-000-00.1610):

On July 1, 2015, a representative of Internal Audit visited the Osborne site to conduct test counts. Upon our arrival, inventory personnel provided Internal Audit with several spreadsheets listing all inventory on hand by location with item descriptions, quantities, and unit costs. During the testing of the Parts Inventory, we identified the following discrepancies:

- On the count sheet for Part number 21355, ¾ x 7 Power Studs, the quantity listed was 51. Our test count total was 16. The cause of the difference was that when the items were originally counted, two bins, one with 16 and another with 35, both with studs in them, were counted as one bin. This causes an adjustment to reduce physical inventory by \$573.65.
- On the count sheet for part number COILEX EF, the quantity listed was 6. Our test count total was 5. We could not determine what happened to the missing item. The unit cost of this item is \$44.60, which causes an adjustment to reduce physical inventory by \$44.60. The total adjustments to the physical inventory are \$618.25

This year's reconciliation resulted in a decrease of \$122,147.72 being recorded to adjust the inventory account to actual at fiscal year ended June 30, 2015; compared to an increase of \$16,492.31 in the prior year. In past reviews it has been difficult in tracking inventory, but the Water Resources Department has been making improvements year by year. Recently the inventory database has been moved to the Lawson System. The inventory should be accounted for in the Lawson system from here on out starting with the 2016 fiscal year. This should greatly help accounting for inventory throughout the year.

Findings: None

Recommendations: None.

Water Meter Inventory (501-0000-00.1637):

This year's reconciliation resulted in no adjustment being made at fiscal year ended June 30, 2015. No adjustment was required in the prior year.

Findings: None.

Recommendations: None.

Chemicals (501-0000-00.1640):

This year's reconciliation resulted in an addition of \$48,650.98 to the inventory account at fiscal year ended June 30, 2015 to adjust the balance to actual; compared to a reduction of \$29,387.93 in the prior year.

Findings: None.

Recommendations: None.

City Yard (501-0000-00.1645):

This year's reconciliation identified a variance of less than negative 1% and resulted in a \$6,886.16 loss being recorded to adjust the ending unadjusted inventory balance to actual at fiscal year ended June 30, 2015; compared to less than negative 1% and a \$5,149.88 loss in the prior year.

Findings: None.

Recommendations: None.

We would like to thank the staff at Water Resources for their cooperation and courtesy. If you have any questions or concerns, please contact us at 373-2823.



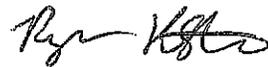
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