



**DATE:** October 2, 2015  
**TO:** Mary Vigue, Assistant City Manager for General Government Results Area  
**FROM:** Internal Audit Division  
**SUBJECT:** Network Services Inventory for Fiscal Year End June 30, 2015  
(No Response Required)

The Internal Audit Division has completed our testing for the year-ended June 30, 2015 of The Network Services Inventory maintained by the Information Technology Department. Attached you will find our review report; the departmental response and our reply to their responses. We feel that sufficient corrective actions have been implemented to our recommendations as we move forward. If you have any questions or need additional information, please let us know. Thanks.

Len Lucas  
Internal Audit Director

cc: Jane Nickles, Director of Information Technology  
Anita Wilson, Accounting Manager  
Jim Holfield, Business Process Analyst

Internal Audit Division  
City of Greensboro

September 1, 2015

**TO:** Jane Nickles, Director of Information Technology

**FROM:** Internal Audit Division

**SUBJECT:** City Inventories – Fiscal Year Ended June 30, 2015  
(Written Response Required by September 15, 2015)

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<br/>Inventory<br/>at 6/30/15</u> | <u>Physical<br/>Inventory<br/>at 6/30/14</u> | <u>Increase<br/>(Decrease)<br/>to G/L<br/>2014-2015</u> | <u>Increase<br/>(Decrease)<br/>to G/L<br/>2013-2014</u> | <u>% of<br/>Variance<br/>2014-2015</u> | <u>% of<br/>Variance<br/>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                                     |
| <b>TOTAL</b>                                      | <b>\$ 6,739,117</b>                          | <b>\$ 6,689,831</b>                          |   |   |  |  |

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

Network Services – Parts (682-0000-00.1610):

Network Services' inventory is maintained through EAM. The year's reconciliation identified a variance of less than negative 1% and resulted in an \$3.38 loss being recorded to adjust the ending unadjusted inventory balance to actual at fiscal year ended June 30, 2015; compared to a less than 1% variance and a \$80.27 gain in the prior year.

**Findings:**

1. The department did not prepare inventory reports as of June 30, 2015. An inventory summary report was prepared on (and "as of") June 25, 2015. The inventory detail listing was prepared on July 14, 2015, when we requested it. This is a repeat finding from the fiscal year 2014.
2. The year-end inventory listing includes defective units, which are not listed in the Lawson financial balances. The inventory listing does not identify the defective units.

**Recommendations:**

1. Inventory valuation reports, both summary and detailed, should be prepared as of June 30 each year. Please see the attached copy of the inventory procedures for a listing of all required reports at year-end.
2. Defective units should be identified in the inventory system. Since the value of the defective units is not included in financial amounts, the inventory reports should clearly distinguish between normal inventory and the defective inventory.

We would like to thank the staff at Network Services for their cooperation and courtesy. We ask that you please make your responses of corrective action to our findings and recommendations no later than September 15, 2015. If you have any questions or concerns, please contact us at 373-2823.



Len Lucas  
Internal Audit Director



Tina McKoy  
Internal Auditor



Garland Wells  
Internal Auditor



Ryan Kildoo  
Internal Auditor



Mickey Kerans  
Internal Auditor

Cc: Mary Vigue, Assistant City Manager, General Government Results Area

Attachment

## Wells. Garland

---

**From:** McKoy, Tina W  
**Sent:** Monday, September 28, 2015 2:00 PM  
**To:** Wells. Garland  
**Subject:** FW: Draft Report for City Inventories - FYE 6/30/15

Garland ,

Here's IT's response to the inventory letter. Thanks!

**Tina McKoy**  
**373-4528**

---

**From:** Nickles, Jane  
**Sent:** Monday, September 28, 2015 11:48 AM  
**To:** McKoy, Tina W  
**Subject:** FW: Draft Report for City Inventories - FYE 6/30/15

See below...

**Jane Nickles, CIO**  
Information Technology Department  
City of Greensboro  
Phone: 336-373-2314; Fax: 336-335-6196  
PO Box 3136, Greensboro, NC 27402-3136  
[www.greensboro-nc.gov](http://www.greensboro-nc.gov)

---

**From:** Biffle, Gerrad  
**Sent:** Friday, September 25, 2015 8:22 AM  
**To:** Nickles, Jane  
**Subject:** Re: Draft Report for City Inventories - FYE 6/30/15

My response to each of the recommendations would be as follows:

1. I have placed calendar reminders on June 30, 2016 to generate the required reports.
2. I will have to work with Sagar on the EAM team to create an 'Asset Status' field of 'Surplus' within EAM. Existing reports will also need to be modified to ensure the 'surplus' assets are not included in the report totals.

If they need more than that ... let me know and I'll try to come up with something else.

---

**From:** Jane Nickles <[Jane.Nickles@greensboro-nc.gov](mailto:Jane.Nickles@greensboro-nc.gov)>  
**Date:** Tuesday, August 18, 2015 at 5:00 PM  
**To:** Gerrad Biffle <[gerrad.biffle@greensboro-nc.gov](mailto:gerrad.biffle@greensboro-nc.gov)>  
**Subject:** FW: Draft Report for City Inventories - FYE 6/30/15

Please provide me with your response to the inventory audit recommendations.

Thanks,

**Jane Nickles, CIO**  
Information Technology Department  
City of Greensboro

Phone: 336-373-2314; Fax: 336-335-6196  
PO Box 3136, Greensboro, NC 27402-3136  
[www.greensboro-nc.gov](http://www.greensboro-nc.gov)

---

**From:** McKoy, Tina W  
**Sent:** Tuesday, August 18, 2015 4:40 PM  
**To:** Nickles, Jane  
**Cc:** Lucas, Len; Kerans, Mickey; Kildoo, Ryan H; Wells, Garland  
**Subject:** Draft Report for City Inventories - FYE 6/30/15

Ms. Nickles:

Attached you will find the draft review report for the City Inventories at fiscal year ended June 30, 2015. Please respond by Monday, August 24<sup>th</sup> with your approval to issue the written report. Once the report is issued, you will have 14 days to respond. There are two (2) findings requiring a response.

Thank you.

Please note: Internal Audit's Review Report, along with all responses and replies, will be made available to the public on the City's external website. Please contact Internal Audit if you have any further questions or concerns.

**Tina McKoy**, Internal Auditor  
Internal Audit Division  
City of Greensboro  
Phone: 336-373-4528; Fax: 336-373-4387  
PO Box 3136, Greensboro, NC 27402-3136  
[www.greensboro-nc.gov](http://www.greensboro-nc.gov)



September 30, 2015

**TO:** Jane Nickles , Director of Information Technology

**FROM:** Internal Audit Division

**SUBJECT:** City Inventories – FYE June 30, 2015 Review Response

The Internal Audit Division has received your response for Fiscal Year End June 30, 2015 Inventories dated September 28, 2015. We find the response sufficient and no further action is required.

We would like to thank the staff of the Information Technology Department for their assistance and cooperation during this review. If there are any questions concerning the details of this review, please call us at 373-2230.

Len Lucas  
Internal Audit Director

Tina McKoy  
Internal Auditor

Garland Wells  
Internal Auditor

Ryan Kildoo  
Internal Auditor

Mickey Kerans  
Internal Auditor

cc: Mary Vigue, Assistant City Manager for General Government Results Area