



# City of Chattanooga

INTERNAL AUDIT

City Hall

Chattanooga, Tennessee 37402

Stan Sewell  
Director

Ron Littlefield  
Mayor

January 3, 2007

Honorable Ron Littlefield  
Mayor, City of Chattanooga  
City Hall  
Chattanooga, TN 37402

RE: Tool Room Inventory Process, Audit 06-09

Dear Mayor Littlefield:

Attached is the Internal Audit Division's report on the City-Wide Services (CWS) Tool Room Inventory Process.

The director and staff have already taken positive actions in response to our recommendations. We thank the management and staff of City-Wide Services for their cooperation and assistance during this audit.

Sincerely,

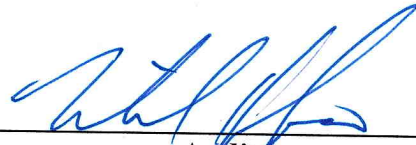
A handwritten signature in blue ink, appearing to read "Stanley L. Sewell", with a long horizontal flourish extending to the right.

Stanley L. Sewell  
Director of Internal Audit

cc: Dan Johnson, Chief of Staff  
Steve Leach, Administrator Public Works  
Jim Templeton, Director City-Wide Services

**City-Wide Services**  
**Tool Room Inventory Process**  
**06-09**  
**January 3, 2007**

**City-Wide Services  
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**Auditor**



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**Director**

**CITY-WIDE SERVICES  
TOOL ROOM INVENTORY PROCESS  
AUDIT 06-09**

**INTRODUCTION**

The City-Wide Services Division of the Chattanooga Public Works Department's mission is to preserve and enhance the environmental quality of life in Chattanooga through a prompt, cost effective and courteous delivery of services designed to safeguard the health, safety, and welfare of its citizens and to maintain and improve the city's infrastructure. The Tool Room's function is to purchase and store the tools, equipment, and other items necessary to allow the crews to be able to successfully complete the division mission. There are several offices responsible for this mission. They all are dependant on the Tool Room for their working supplies.

**STATISTICS**

Appropriation Account Balances for City-Wide Services Administration:

	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>
<b>Operating Expenditures</b>	\$ 184,416	\$ 199,565	\$ 179,499
<b>Personal Services</b>	744,254	761,430	759,123
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<b>TOTALS</b>	\$ 928,670	\$ 960,995	\$ 935,792
Authorized Positions	019	018	017

Inventory Balances at fiscal year-end for the Tool Room:

	\$ 40,768	\$ 30,123	\$ 44,234
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Full Time Positions (Tool Room)	002	002	002

Note: Taken from the FY04 and FY05 City CAFR, using the actual figures. The FY06 data is from unaudited year-end figures in BANNER.

## **STATEMENT OF OBJECTIVES**

This audit was conducted in accordance with the Internal Audit Division's 2006 Audit Agenda. The objectives of this audit were:

1. To determine that the process of procurement is being followed per policy,
2. To determine that inventory adjustments made are properly authorized,
3. To ensure inventory items are secured and safeguarded,
4. To ensure inventory purchases are properly accounted for,
5. To determine if a perpetual inventory system is being maintained properly.

## **STATEMENT OF SCOPE**

The audit period covered inventory activity from 01/01/2006 through 12/27/2006. Source documentation was obtained from the offices of City-Wide Services and the Finance Department. Original records as well as copies were used as evidence and verified through physical examination.

## **STATEMENT OF METHODOLOGY**

A random sample of 15 inventory items out of a population of 287 items was reviewed. The testing produced no deviations. To complete the audit objectives, reliance was not placed upon computer processed data contained in the Tool Room system, as original source documents were reviewed. The City's financial system, BANNER, has been previously determined to be reliable and no additional work was necessary.

## **STATEMENT OF AUDITING STANDARDS**

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity, and/or function under audit. An audit also includes assessments of applicable internal controls and compliance with the requirements of laws and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions. In addition we abide by the standards of professional practice established by the Institute of Internal Auditors.

## **AUDIT CONCLUSIONS**

Based upon the test work performed and the audit findings noted below, we conclude that:

1. The process of procurement is being followed per policy,
2. The inventory adjustments made are properly authorized,
3. The inventory items are secured and safeguarded,
4. The inventory purchases are properly accounted for,
5. A perpetual inventory system is being maintained properly.

## **NOTEWORTHY ACCOMPLISHMENTS**

The operation of the Tool Room is being run very smoothly. They are following the purchasing procedures that are in place, and include multiple levels of review. There are good controls in place along with organized documentation of all inventory activity.

## **WRITTEN PROCEDURES**

Although procedures for handling and documenting inventory activity are strong, they have not been formalized into a written document. Turnover and/or extended employee leave could result in a diminished level of control.

## **RECOMMENDATION 1**

Inventory management procedures should be formalized into a written document.

## **AUDITEE RESPONSE**

We concur with the Audit report recommendation for written SOP's on Inventory Management and are in the process of completing this with a suspense date of March 1, 2007.