



GARLAND

INTERNAL AUDIT

INTEROFFICE MEMORANDUM

Date: March 20, 2012

To: Honorable Mayor Ronald Jones
Members of the City Council
Members of the Audit Committee

From: Craig Hametner, City Auditor

Subject: Police Peripheral Inventory Audit – Follow-up

This is a follow-up of the report “Police Peripheral Inventory Audit” issued on February 08, 2011. The original audit objective was to determine if a system is in place to account for Police peripheral inventory items such as laptops and radios. The objective also included the test of the design and effectiveness of that system through sampling. The follow-up audit was not intended to be a detailed study of every relevant system, procedure, and transaction. We were to review Finance, Police, and IT Services Departments previous audit findings and make sure recommendations were implemented.

We performed this follow-up audit of the Finance Department under the authority of Article VII, Section 5 of the Garland City Charter and in accordance with the Annual Audit Plan approved by the Garland City Council.

This audit follow-up was conducted in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our previous recommendations.

Only findings with Management concurrences were selected for this follow-up audit. Out of eight (8) findings we tested four (4) recommendations to verify whether they have been implemented by performing the following activities:

- Re-performed inventory of police vehicles to ensure that the new system data is complete and accurate.
- Verified that inventory destruction policy is created and that it includes provisions for special grant disposal requirements.
- Re-performed an inventory count of all laptops currently assigned to storage in order to verify the accuracy and completeness of the tracking sheet.
- Verified that the Capital Asset Policy issued by the Finance Department is reviewed and dated.
- Verified that the Fixed Asset Capitalization Policy in the Property and Equipment Stewardship Directive #5 is updated to reflect the actual revision date.

Finding #	Condition (The way it is)	Recommendation	Management Response	Follow-Up	Status
<p style="text-align: center;">2 (Obj.1 & 2)</p>	<p>The inventory listings maintained by the Telecommunication Department's designee is not updated to reflect changes such as replacements (inaccurate).</p>	<p>Capitalized items including vehicle additions should be recorded on the departmental inventory listing and reported to Finance Fixed Assets.</p>	<p>ITS Management partially concurs - During the time of the audit the ITS Department was in the process of transitioning to a new work order system, which includes an inventory control module. Therefore, the old inventory tracking system was not current and accurate. The new system is online and the information is current.</p>	<p>Re-performed inventory of Police Vehicles to ensure that the new system data is complete and accurate. We noted that the new system accurately tracks the peripheral items assigned to a police vehicle. We noted one exception where one docking station was not recorded. The system is accurate but incomplete.</p> <p>Since Finance does not consider individual items below \$5,000.00 to be reported as fixed assets, these items are tracked by IT but are not reported to Finance.</p>	<p>Partially Implemented.</p>
<p style="text-align: center;">3 (Obj.4 & 5)</p>	<p>A) There is no documented evidence available for destroyed inventory.</p> <p>B) Inventory destruction policy does not abide by the Bureau of Justice Association grant disposal requirements that state that items should be returned to the State for their disposal.</p>	<p>The inventory destruction process should be formalized. All inventory items should be accounted for on the inventory destruction sheet. Signatures from two different witnesses should be required if equipment is destroyed.</p> <p>The inventory destruction policy should incorporate all relevant grant requirements.</p>	<p>ITS Management concurs - An inventory destruction policy will be created and will include the procedures for removal and destruction of grant funded devices. The inventory of these devices will be maintained in our existing Service Desk Asset Management system.</p> <p>This policy will be completed by January 31st, 2011.</p>	<p>On 03/07/2012 we inquired of the Information Services Manager of the status of the Standard Operating Procedure (SOP) to verify that inventory destruction policy was created and that it includes provisions for special grant disposal requirements. It was noted that the SOP was being finalized and the inventory destruction policy was not implemented as IT Services is currently in the process of procuring a shredder.</p>	<p>Not Implemented.</p>

Finding #	Condition (The way it is)	Recommendation	Management Response	Follow-Up	Status
<p style="text-align: center;">5 (Obj.1)</p>	<p>Performed an inventory count of all laptops currently assigned to storage on 08/06/10. We noted that the following laptops were missing from the Department listing: TB- 71, TB-72, and TB- 75.</p>	<p>According to Section 1 under the General Administration of the Financial Services Directive# 005, (Property and Equipment Stewardship), Police peripheral items should be tracked and accounted for in the inventory listing.</p>	<p>Police Management Concur - The Police Department has an accurate inventory and audit of all current laptops. However destruction and disposal inventory accounting will be improved per Internal Audit recommendations.</p>	<p>With the assistance of the Sr. Information Systems Analyst, Internal Audit performed an inventory count of all laptops currently assigned to storage on 03/06/2012 in order to verify the accuracy and completeness of the tracking sheet. It was noted that two (2) out of a population of eleven (11) spare laptops TB-237 and TB-281 were checked out of the storage room and were not accounted for on the assignment list.</p>	<p>Not Implemented.</p>
<p style="text-align: center;">8 (Obj.4)</p>	<p>The Fixed Asset Capitalization Policy issued by the Finance Department does not have any evidence of review, or approval dates.</p>	<p>Management should document and evidence policy issuance, review, and approval dates.</p>	<p>Finance Management partially concurs - Review of the Fixed Asset Capitalization Policy in Directive # 5 did not reflect the latest revision date. The capitalization threshold increases from \$1,000 to \$5,000 effective October 1, 2002.</p>	<p>Inquired of the Chief Financial Officer and was informed that recommendations have not been implemented as of 02/10/12.</p>	<p>Not Implemented.</p>