

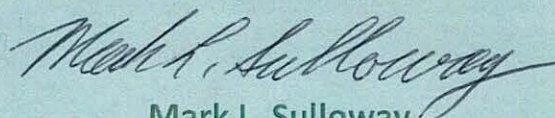
Engagement #18-01:

# Fiscal Year-End 2017 Citywide Inventory

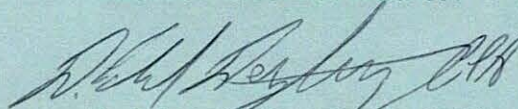
## Observation Report

Office of the City Auditor and Clerk  
Internal Audit

Prepared by:

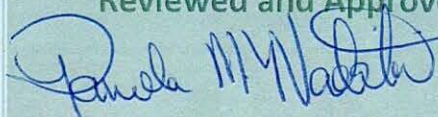


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**Office of the City Auditor and Clerk**

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# #18-01: Fiscal Year-End 2017 Citywide Inventory

## Observation Report

### Purpose and Scope

This report is based upon the observations of inventory counts for the City's major inventory accounts. We did not perform test counts, verify inventory costs or other audit procedures. We are therefore not expressing an opinion on compliance with City and facility policies and procedures.

The scope of this report is limited to include only observations of the City's four largest inventories.

The following table summarizes inventory information by Department or Division:

Department or Location	Inventory Costing Method In Use	Inventory Count Method	Automated Inventory System In Use?	Ending Inventory Balance as of 9/30/17	Percent of Observed 2017 Inventory Balance
Bobby Jones Golf Course	Weighted Average	Perpetual	Yes	\$64,381.09	8.93%
Public Works-Fuel Operations	Last Invoice <sup>1</sup>	Perpetual	Yes	\$37,846.03	5.25%
Utilities - Utilities Stores	First-In-First-Out (FIFO)	Perpetual	Yes	\$598,682.71	83.06%
Sarasota Police Department	First-In-First-Out (FIFO)	Perpetual	Yes	\$19,855.67	2.75%
<b>Grand Total Inventory Valuation/ Percent Observed by Internal Audit</b>				\$682,919.47 <sup>2</sup>	100%

### Report Content and Limitation of Use

This report is limited in detail to those departments observed.

<sup>1</sup> The use of last invoice is a non-standard costing method.

<sup>2</sup> Unaudited numbers

## Observations

Observations in this report are offered as independent guidance to management for their consideration in strengthening controls.

Departments observed:

1. Bobby Jones Golf Course
2. Fuel
3. Utilities
4. Sarasota Police Department

### **Bobby Jones Golf Course**

Inventory count was conducted September 27, 2017, using the same blind count inventory procedure used as last year with preprinted item listings. Three two-person teams counting and recording individual items: Bill Brescia & Christian Martin; Jim Lehr & Nick Stavros; Doug Keil & Joe Gavin. Item counts were reviewed by Course Manager Susan Martin and compared with expected inventory amounts. Variances, if any, were recounted to determine the actual quantity on hand. On September 30, 2017, Ms. Martin printed an updated inventory count sheet and adjusted for differences for the final three days of purchases or sales to the end of year inventory totals. The final inventory count: 1,879 items with a value of \$64,381.09. Observed inventory counting procedures appeared to be in accordance with current policies and procedures.

### **Fuel**

On September 28, 2017, both diesel and unleaded gasoline tanks were measured by Michael Keim, Maintenance Services Manager and compared with Veeder-Root sensor system readings. Deliveries are received twice monthly for gasoline, once monthly for diesel. Delivery drivers stick measure tanks after each delivery to confirm delivery amount. The available 12-foot measuring stick is too short for accurate measurement in both tanks. Mr. Keim indicated he intended to order a longer measuring stick. Additional Veeder-Root readings were taken on September 30, 2017, and adjustments to end of year totals noted. Unleaded fuel on hand was measured at 7,435 gallons; diesel at 9,165 gallons with a combined total value of \$37,846.03 Measured amounts were within allowable variance levels for fuel expansion or contraction. Observed inventory counting procedures appeared to be in accordance with current policies and procedures.

### **Utilities**

Inventory count was conducted October 2, 2017, using the same blind count inventory procedure used in previous years with preprinted item listings. Three two-person teams counting and recording individual items: Karen Simpson & Lisa Baker; Nanette Santiago & Libby Rhodes; Maria Maldonado & Brian Halm. Variances, if any, were recounted to determine the actual quantity on hand. Ms. Simpson posted inventory adjustments after review and approval by Mark Nicholas. The September 30, 2017 final inventory count information: 1,618 items with a value of \$598,682.71. Observed inventory counting procedures appeared to be in accordance with current policies and procedures.

### **Sarasota Police Department**

Inventory count was conducted October 3, 2017. Blind count procedure with preprinted item listings was used. Two-person team of Shana Meadows & Roma Hyacinth conducted the count. Also present was Jay Griffon, SPD Quartermaster. Variances, if any, were recounted to determine the actual quantity on hand. During the past year, SPD implemented QuickBooks Enterprise version with the eRequisition purchase order software module to maintain SPD inventory records. SPD implemented the First-In-First-Out inventory costing method as allowed under Generally-Accepted-Accounting-Principles (GAAP). Any additional freight charges are added to the individual items cost. Recycled inventory items were separately identified and not included in the inventory count. An additional control was implemented in that the Quartermaster does not have access to the purchase order portion of the software system. The September 30, 2017 final inventory count information: 703 items with a value of \$19,855.67. Observed inventory counting procedures appeared to be in accordance with current policies and procedures.