

**City of Tampa
Internal Audit Department
Audit Program Guide
Inventory and Stores
Audit 02-15**

Budget Hours	Audit Procedures	Done By	W/P Ref.
<i>Background</i>			
	<p>The Inventory and Stores Division is operated by the Purchasing Department and is charged with maintaining the City's perpetual inventory system. The objectives of the division are:</p> <ul style="list-style-type: none"> • To verify and record the actual receipt and issue of materials; • To establish and maintain efficient on-hand inventory balances; • To provide the proper quantity and quality of materials when furnished with the proper authority; and • To cooperate with other City Departments/Divisions in order to establish and maintain inventories at satisfactory and cost efficient levels. 		
<i>Statistics</i>			
	<p>As of February 15, 2002, there were nine perpetual inventory locations staffed with 32 employees, including the two Inventory Field Supervisors. Inventory values were \$3,292,000 and \$3,252,000 for fiscal years ended September 30, 2001 and 2000, respectively. Inventory receipts and issues for FY 01 were \$15,891,635 and \$15,739,687, respectively.</p>		
<i>Planning the Audit</i>			
	<ol style="list-style-type: none"> 1. Print Quality Control Package and process Auditor Assignment and Independence Statement page. 2. Prepare and send an entrance letter to applicable personnel in the area under review. 3. Prepare a planning program and include a time budget for the preliminary survey work. 4. Conduct an in-house review of the following: <ol style="list-style-type: none"> a) Financial Data b) Internal Policy & Procedures Manuals c) Applicable Rules, Laws and Regulations, and 		

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	<p>d) Prior internal audit reports and management comments</p> <ol style="list-style-type: none"> 5. Schedule and hold an entrance conference with the Auditee. Obtain the name of the departmental contact person and secure a place from which to conduct the fieldwork portion of the audit. 6. Begin Preliminary Survey by interviewing the appropriate personnel in the Auditee Department. Document the interviews with narratives in the work file. 7. Review and document Internal Control System. (Include control points, such as the location within the system of approvals, authorizations, segregation of duties, supervision, reconciliations, computer-generated error and edit listings, exception reports, etc.) 8. After gaining an understanding of various functions, conduct several transaction walk-throughs. Revise documentation as necessary. 9. Prepare a survey memo listing the strengths and weaknesses of the system. Discuss the areas of greatest risk and exposure to the City. Also, include suggested audit objectives and test procedures. Discuss with Audit Supervisor and the Deputy Director. 10. Prepare the audit program and include a time budget and estimated completion date. Index the preliminary survey file and turn in for review. The Planning Checklist page of the Quality Control Package should be completed by the Audit Supervisor. 11. Clear review notes and revise the audit program, if necessary. 		
<i>Audit Scope</i>			
	Based on the work performed during the preliminary survey and the assessment of risk, the audit period will cover the operations of the Inventory and Stores Division from October 1, 2000 to January 31, 2002.		
<i>Audit Objectives</i>			
	<ol style="list-style-type: none"> 1. To determine if adequate internal controls over inventory exist to prevent and detect errors and irregularities. 2. To determine if computer records of on-hand inventory balances were accurate. 3. To determine if inventory is monitored for obsolete or low usage items. 4. To determine that system access capabilities are properly segregated and commensurate with employee job duties. 		

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	5. To determine the methodology for ensuring Fleet Maintenance parts availability.		
<i>Objective 1: To determine if adequate internal controls over inventory exist to prevent and detect errors and irregularities.</i>			
	<ol style="list-style-type: none"> 1. Review procedures and controls over the inventory process to include the procedures for the receipt, issue, and transfer of inventory, monitoring slow-moving and obsolete items, and physical counts, etc. 2. Test the controls determined as adequate in step 1 to ensure operating effectively. 3. Discuss any audit findings with the Audit Supervisor, Deputy Director and Audit Director. After receiving their approval discuss audit findings with Auditee management. 4. Summarize and conclude. 		
<i>Objective 2: To determine if computer records of on-hand inventory balances were accurate.</i>			
	<ol style="list-style-type: none"> 5. Using the ADPICS Inventory Master Report, judgmentally select 15 items from each inventory location and perform the following: <ul style="list-style-type: none"> • Count the items and compare the physical count to the ADPICS Inventory Master Report. • Reconcile any discrepancies. 6. Discuss any audit findings with the Audit Supervisor, Deputy Director and Audit Director. After receiving their approval discuss audit findings with Auditee management. 7. Summarize and conclude. 		
<i>Objective 3: To determine if inventory is monitored for obsolete or low usage items.</i>			
	<ol style="list-style-type: none"> 8. Obtain the ADPICS reports of slow-moving and non-issued items and verify that the reports were reviewed. 9. If items were deleted from inventory, on a test basis, verify that the Purchasing Manager approved items deleted from inventory. 10. Discuss any audit findings with the Audit Supervisor, Deputy Director and Audit Director. After receiving their approval discuss audit findings with Auditee management. 		

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	11. Summarize and conclude.		
<i>Objective 4: To determine that system access capabilities are properly segregated and commensurate with employee job duties.</i>			
	12. Obtain ADPICS and FAMIS User Profiles for Inventory personnel and review to determine if access is commensurate with employee job duties. 13. Discuss any audit findings with the Audit Supervisor, Deputy Director and Audit Director. After receiving their approval discuss audit findings with Auditee management. 14. Summarize and conclude.		
<i>Objective 5: To determine the methodology for ensuring fleet maintenance parts availability.</i>			
	15. Review the procedures for ensuring the availability of parts for fleet maintenance. 16. Make inquiries to the Fleet Manager and Inventory Supervisors regarding parts availability. 17. Obtain current report of work orders in “waiting for parts” status from the FASTER system and review for reasonableness. 18. Discuss any audit findings with the Audit Supervisor, Deputy Director and Audit Director. After receiving their approval discuss audit findings with Auditee management. 19. Summarize and conclude.		
<i>Audit Wrap Up</i>			
	20. Complete and index working papers. 21. Prepare a preliminary draft of the audit report. 22. Clear review notes. 23. Forward draft to auditee and request responses within 10 working days. 24. Incorporate auditee responses into the final audit report. 25. If requested, schedule and hold exit conference. 26. Quality Control Checklist of the Quality Control Package to be completed by the Deputy Director. 27. Present the audit report to the Mayor.		

