



City of Greensboro

Date: December 8, 2003
 To: Ed Kitchen, City Manager
 From: Internal Audit
 Subject: Year End Inventories

Internal Audit has conducted inventory test counts and reconciled inventories to the June 30, 2003 balance sheets. The total of all inventories is \$2,800,289. The results of the inventory reconciliations are as follows:

<u>Name of Inventory</u>	<u>Physical Inventory At 6/30/2003</u>	<u>Increase (Decrease) To G/L 2002-03</u>	<u>Increase (Decrease) To G/L 2001-02</u>
Transportation	427,563	1,300	1,694
Supply Room	20,122	(14,514)	3,327
Parks and Recreation	33,130	59,606	(16,937)
Mechanical Maintenance	17,528	(3,178)	1,360
Fire Garage	60,695	(3,465)	5,208
Structural and Custodial	29,846	(7,394)	(3,377)
Water Resources Chemical	168,300	(42,253)	9956
Water Resources Yard	866,289	(3,371)	(12,739)
Coliseum Concessions	196,204	(3,437)	(3,493)
Environmental Service-Landfill Parts	90,683	(30,292)	14,293
Environmental Service-Outside Commercial	0	(51,317)	(4,823)
Equipment Services-Parts	343,963	20,972	371
Equipment Services-Outside Commercial	0	(14,833)	(8,351)
Equipment Services-Fuel	73,002	(2,319)	12,809
Equipment Services-Tire	52,534	(4,656)	(11,794)
Telecommunications-Parts	204,818(a)	2,356	(145,263)
Telecommunications-Cell Phone Parts	2,726	(22)	1,815
Graphic Services	32,659	2,601	(1,967)
TOTAL	\$2,620,243		

(a) The June 30, 2003 ending balance includes \$34,832 of new inventory added to existing inventory in 2003 (new IP phones)-entry made by Accounting.

Two of the inventories are only an adjustment to the respective expense account: Water Meter Shop \$61,531 (2001-02, \$63,207), and GTA-Parts Inventory \$114,407 (2001-02, \$121,629) and are not on the schedule above. When parts are purchased they are charged to the expense account. At year-end, we adjust the expense to reflect the true operating cost for the fiscal year

and transfer the difference to the inventories on the balance sheet. The total of the two inventories is \$175,398.

FINDINGS:

During our year-end testing of the inventories, we noted the following:

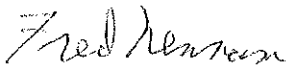
Equipment Services Parts and Tire Inventories: The inventories included miscellaneous parts that had to be adjusted to determine the total inventory. The miscellaneous parts were purchased as inventory items. We request that the miscellaneous parts be purchased under an expense category instead of as inventory. Then inventory of these parts at year-end will bring the usage to actual, and not require a separate accounting for purchases and beginning and ending inventory as in prior years reconciliations.

Supply Room: A configuration error in the Lawson system caused transactions to be posted incorrectly to this inventory account. Accounting is now aware of the problem and has made an entry to reflect the correction of this error that will reduce the year-end adjustment noted on page one.

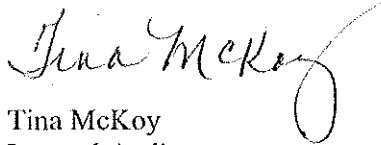
Equipment Services-Fire Garage: We were not aware of and did not count or reconcile the Fire Garage parts indicated as being \$4,108 in Equipment Services General Ledger Accounts. Accounting has researched the issue and discovered that this transaction was charged to the wrong account. It should have been charged to the Fire Garage parts account. Since we adjusted the Fire garage inventory to its actual balance as of year-end and the amount included this error, Accounting will need to correct this error against current year accounts.

.....

We wish to thank all of the affected departments for their cooperation and courtesy. If you have questions or comments concerning the details of the inventory counts and reconciliations, please call us at 373-2821.



Fred Newnam
Internal Auditor



Tina McKoy
Internal Auditor



Len Lucas
Acting Director Internal Audit

CC: Ben Brown, Assistant City Manager for Economic Development
Mitchell Johnson, Assistant City Manager
Bob Morgan, Assistant City Manager
Rick Lusk, Finance Director