



**DATE:** September 24, 2021  
**TO:** Larry Davis, Assistant City Manager  
**FROM:** Internal Audit Division  
**SUBJECT:** Equipment Services Inventories for the Year-End June 30, 2021  
(No Response Required)

The Internal Audit Division has completed our testing for the year-ended June 30, 2021 of the Equipment Services Inventories maintained by the Financial & Administrative Services Department. Attached you will find our review report; the departmental response and our reply to their responses. We feel that sufficient corrective actions have been implemented to our recommendations as we move forward. If you have any questions or need additional information, please let us know. Thanks.

Len Lucas  
Internal Audit Director

Cc: Marlene Druga, Director of Financial & Administrative Services  
Anita Wilson, Accounting Manager  
Emanuel Hill, Business Process Analyst



**DATE:** August 19, 2021

**TO:** Marlene Druga, Interim Director of Financial & Administrative Services

**FROM:** Internal Audit Division

**SUBJECT:** City Inventories – Fiscal Year Ended June 30, 2021  
(Written Response Required by September 2, 2021)

The Internal Audit Division has conducted inventory test counts and reconciled inventories to the June 30, 2021 balance sheets. The total of all inventories is \$7,144,444. The results of the inventory reconciliations are as follows:

<u>Name of Inventory</u>	<u>Physical Inventory at 6/30/21</u>	<u>Physical Inventory at 6/30/20</u>	<u>Increase (Decrease) to G/L 2020-2021</u>	<u>Increase (Decrease) to G/L 2019-2020</u>	<u>% of Variance 2020-2021</u>	<u>% of Variance 2019-2020</u>
<b><u>Lawson System:</u></b>						
GDOT - Warehouse	\$ 786,748	\$ 746,421	\$ (1)	\$ 4	0.000%	0.001%
Field Operations - Warehouse	\$ 227,747	\$ 131,646	\$ (2,054)	\$ 232	-0.902%	0.176%
Water Meter Shop	\$ 31,245	\$ 166,952	\$ -	\$ -	0.000%	0.000%
Water Resources City Yard	\$ 1,376,853	\$ 1,686,592	\$ (1,923)	\$ (321)	-0.140%	-0.019%
Coliseum Housekeeping	\$ 28,235	\$ 43,637	\$ 39	\$ (5)	0.138%	-0.011%
Osborne Parts	\$ 2,768,440	\$ 2,669,234	\$ 225	\$ 89	0.008%	0.003%
<b><u>Faster System:</u></b>						
Parks and Recreation - Parts	\$ 33,920	\$ 22,481	\$ 399	\$ 75	1.176%	0.334%
Field Operations - Right of Way Parts	\$ 26,625	\$ 24,633	\$ (133)	\$ 2,838	-0.500%	11.521%
Fire Garage	\$ 322,304	\$ 303,661	\$ 1,640	\$ (652)	0.509%	-0.215%
Field Operations - Landfill Parts	\$ 16,884	\$ 16,984	\$ (1,950)	\$ (16)	-11.549%	-0.094%
Equipment Services - Parts	\$ 505,067	\$ 521,294	\$ (55)	\$ 5,389	-0.011%	1.034%
Equipment Services - Fuel	\$ 247,028	\$ 99,119	\$ -	\$ -	0.000%	0.000%
Equipment Services - Diesel Exhaust Fluid	\$ 1,311	\$ 621	\$ 1,217	\$ (868)	92.830%	-139.775%
Equipment Services - Tire	\$ 96,966	\$ 90,615	\$ 1,987	\$ 2,169	2.049%	2.394%
<b><u>Manual/Other:</u></b>						
Gillespie Golf Merchandise*	\$ 7,167	\$ 7,706	\$ (538)	\$ (258)	na	na
Water Resources Chemical*	\$ 570,560	\$ 532,790	\$ 37,770	\$ 47,640	na	na
Information Technology - Telecom	\$ 70,701	\$ 95,703	\$ 461	\$ (307)	0.652%	-0.321%
Graphic Services - Print Shop*	\$ 26,643	\$ 28,606	\$ (1,962)	\$ (474)	na	na
<b>TOTAL</b>	<b>\$ 7,144,444</b>	<b>\$ 7,188,695</b>				

\*Purchases are expensed throughout the year. An adjustment is made to the inventory account to reflect the physical balance at year-end.

Equipment Services Division:

The Department established a maximum acceptable inventory variance of +/-2% for all inventories. The reconciliations for the Equipment Services Division identified the following:

- Parts (680-0000-00.1610) – The percentage variance was less than negative 1% and resulted in a reduction of \$55.44 required to adjust the ending inventory balance to actual at fiscal year ended June 30, 2021; compared to a variance of 1.034% and an increase of \$5,388.75 at June 30, 2020, and a less than 1% variance and an increase of \$644.49 at June 30, 2019.
- Fuel (680-0000-00.1655) – There was no percentage of variance or journal entry required to adjust the ending unadjusted inventory balance to actual at fiscal year ended June 30, 2021; compared to no percentage of variance or journal entry required at June 30, 2020, and a negative 4.641% variance and a decrease of \$7,755.00 at June 30, 2019.
- Diesel Exhaust Fluid (680-0000-00.1656) – The percentage variance was 92.83% and resulted in an increase of \$1,216.72 being recorded to adjust the ending unadjusted inventory balance to actual at fiscal year ended June 30, 2021; compared to a negative 139.775% variance and a decrease of \$865.75 at June 30, 2020; and a 61.9% variance and an increase of \$492.42 at June 30, 2019.
- Tire (680-0000-00.1665) – The percentage variance was 2.049% and resulted in an increase of \$1,986.80 being recorded to adjust the ending unadjusted inventory balance to actual at fiscal year ended June 30, 2021; compared to a 2.394% variance and an increase of \$2,169.10 at June 30, 2020; and a 2.382% variance and an increase of \$2,023.95 at June 30, 2019.

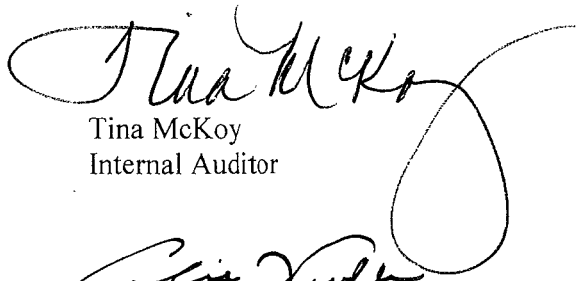
**Finding:** The Department's actual inventory variances for Diesel Exhaust Fluid and Tire exceed the maximum established inventory variance of +/-2% at June 30, 2021.

**Recommendation:** The Department should review its inventory procedures to bring their variances within the established maximum acceptable limit.

We would like to thank the staff at Financial & Administrative Services for their cooperation and courtesy. We ask that you please make your responses of corrective action to our finding and recommendation no later than September 2, 2021. If you have any questions or concerns, please contact us at 373-2823.



Len Lucas  
Internal Audit Director



Tina McKoy  
Internal Auditor



Garland Wells  
Internal Auditor



Chris Venable  
Internal Auditor



Mickey Kerans  
Internal Auditor

Cc: Larry Davis, Assistant City Manager

## McKoy, Tina W

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**From:** Druga, Marlene  
**Sent:** Thursday, August 19, 2021 11:16 AM  
**To:** McKoy, Tina W  
**Cc:** Lucas, Len  
**Subject:** RE: Draft Letter for City Inventories - FYE 6/30/21

Thank you Tina. I apologize for the late response. Just one tweak noted under the "Tire" write up to fix the date to show June 30, 2021. It's then ready to send out the final report. Thank you Marlene

**Marlene Druga**, Deputy Finance Director - Financial Services  
Financial and Administrative Services  
City of Greensboro  
300 W. Washington Street  
Greensboro, NC 27402-3136  
Phone 336.373.2094 Fax: 336.373.2138  
<http://www.greensboro-nc.gov>

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**From:** McKoy, Tina W <Tina.McKoy@greensboro-nc.gov>  
**Sent:** Thursday, August 19, 2021 7:20 AM  
**To:** Druga, Marlene <Marlene.Druga@greensboro-nc.gov>  
**Subject:** FW: Draft Letter for City Inventories - FYE 6/30/21

Hi Marlene,

May I release the final letter? Remember, you will have 14 days from the date of the final letter to respond to any findings. Thanks!

**Tina McKoy**  
373-4528

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**From:** McKoy, Tina W  
**Sent:** Friday, August 13, 2021 10:40 AM  
**To:** Druga, Marlene <Marlene.Druga@greensboro-nc.gov>  
**Cc:** Davis, Larry <Larry.Davis@greensboro-nc.gov>; Lucas, Len <Len.Lucas@greensboro-nc.gov>; Kerans, Mickey <Charles.Kerans@greensboro-nc.gov>; Venable, Chris <Chris.Venable@greensboro-nc.gov>; Wells, Garland <Garland.Wells@greensboro-nc.gov>  
**Subject:** Draft Letter for City Inventories - FYE 6/30/21

Hi Marlene,

Please review the attached draft inventory letter for your department. Let us know whether you concur with its contents as soon as you possible, but no later than Wednesday, August 18<sup>th</sup>. Once you (or designated personnel from your department) sends an acknowledgment, a final report will be emailed. You will have 14 days from that date to respond to our findings and recommendations, if any.

Thank you.

**Tina McKoy**, Internal Auditor  
Internal Audit Division  
City of Greensboro  
Phone: 336-373-4528; Fax: 336-373-4387  
PO Box 3136, Greensboro, NC 27402-3136  
[www.greensboro-nc.gov](http://www.greensboro-nc.gov)

## Lucas, Len

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**From:** Lucas, Len  
**Sent:** Wednesday, September 22, 2021 9:06 AM  
**To:** Gunter, Jerry R; Druga, Marlene  
**Cc:** Payne, Chris  
**Subject:** RE: Final Inventory Letter - FYE 6/30/21

Thanks.

**Len Lucas**, Internal Audit Director  
Internal Audit Division  
City of Greensboro  
Phone: 336-373-2823; Fax: 336-373-4387  
P.O. Box 3136  
Greensboro, NC 27402-3136  
[www.greensboro-nc.gov](http://www.greensboro-nc.gov)

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**From:** Gunter, Jerry R <[Jerry.Gunter@greensboro-nc.gov](mailto:Jerry.Gunter@greensboro-nc.gov)>  
**Sent:** Wednesday, September 22, 2021 8:51 AM  
**To:** Druga, Marlene <[Marlene.Druga@greensboro-nc.gov](mailto:Marlene.Druga@greensboro-nc.gov)>; Lucas, Len <[Len.Lucas@greensboro-nc.gov](mailto:Len.Lucas@greensboro-nc.gov)>  
**Cc:** Payne, Chris <[Chris.Payne@greensboro-nc.gov](mailto:Chris.Payne@greensboro-nc.gov)>  
**Subject:** FW: Final Inventory Letter - FYE 6/30/21

Below is what Chris sent on 8/19.

Thanks

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**From:** Payne, Chris <[Chris.Payne@greensboro-nc.gov](mailto:Chris.Payne@greensboro-nc.gov)>  
**Sent:** Thursday, August 19, 2021 3:29 PM  
**To:** Druga, Marlene <[Marlene.Druga@greensboro-nc.gov](mailto:Marlene.Druga@greensboro-nc.gov)>  
**Cc:** Johnson, David L (Finance) <[David.Johnson2@greensboro-nc.gov](mailto:David.Johnson2@greensboro-nc.gov)>; Gunter, Jerry R <[Jerry.Gunter@greensboro-nc.gov](mailto:Jerry.Gunter@greensboro-nc.gov)>  
**Subject:** FW: Final Inventory Letter - FYE 6/30/21

Marlene,

The DEF adjustment is less than desirable but is directly related to the inaccurate measuring devise contained in the Titan cubes we use to dispense DEF. The Titan cubes are the only containers that will fit on our fueling island. We will continue to investigate and evaluate the availability and cost of a more sophisticated measuring device for the distribution of DEF. The new facility will include the proper space, dispensing equipment, and technology to meet our needs and should also improve the accuracy of our inventory.

Overall, another fantastic year of the ES team managing inventories that include thousands of transactions monthly.

Thanks,  
-Chris

Chris S. Payne, C.P.M., CLGPO  
Deputy Finance Director – Administrative Services  
Financial and Administrative Services Department  
City of Greensboro  
P: 336.373.2077  
PO Box 3136  
Greensboro, NC 27402-3136  
[www.greensboro-nc.gov](http://www.greensboro-nc.gov)

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**From:** "Druga, Marlene" <[Marlene.Druga@greensboro-nc.gov](mailto:Marlene.Druga@greensboro-nc.gov)>  
**Date:** Thursday, August 19, 2021 at 1:16 PM  
**To:** "Gunter, Jerry R" <[Jerry.Gunter@greensboro-nc.gov](mailto:Jerry.Gunter@greensboro-nc.gov)>, David Johnson  
<[David.Johnson2@greensboro-nc.gov](mailto:David.Johnson2@greensboro-nc.gov)>  
**Cc:** "Payne, Chris" <[Chris.Payne@greensboro-nc.gov](mailto:Chris.Payne@greensboro-nc.gov)>  
**Subject:** FW: Final Inventory Letter - FYE 6/30/21

Jerry/David, Can you review the report and provide a written reply by the due date? Thanks Marlene

**Marlene Druga**, Deputy Finance Director - Financial Services  
Financial and Administrative Services  
City of Greensboro  
300 W. Washington Street  
Greensboro, NC 27402-3136  
Phone 336.373.2094 Fax: 336.373.2138  
<http://www.greensboro-nc.gov>

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**From:** McKoy, Tina W <[Tina.McKoy@greensboro-nc.gov](mailto:Tina.McKoy@greensboro-nc.gov)>  
**Sent:** Thursday, August 19, 2021 1:07 PM  
**To:** Druga, Marlene <[Marlene.Druga@greensboro-nc.gov](mailto:Marlene.Druga@greensboro-nc.gov)>  
**Cc:** Davis, Larry <[Larry.Davis@greensboro-nc.gov](mailto:Larry.Davis@greensboro-nc.gov)>; Lucas, Len <[Len.Lucas@greensboro-nc.gov](mailto:Len.Lucas@greensboro-nc.gov)>; Kerans, Mickey  
<[Charles.Kerans@greensboro-nc.gov](mailto:Charles.Kerans@greensboro-nc.gov)>; Venable, Chris <[Chris.Venable@greensboro-nc.gov](mailto:Chris.Venable@greensboro-nc.gov)>; Wells, Garland  
<[Garland.Wells@greensboro-nc.gov](mailto:Garland.Wells@greensboro-nc.gov)>  
**Subject:** Final Inventory Letter - FYE 6/30/21

Please note, Internal Audit's Review Reports, along with all responses and replies will be made available to the public on the City's external website. Contact Internal Audit if you have any further questions or concerns.

Thank you.

**Tina McKoy**, Internal Auditor  
Internal Audit Division  
City of Greensboro  
Phone: 336-373-4528; Fax: 336-373-4387  
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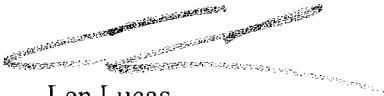


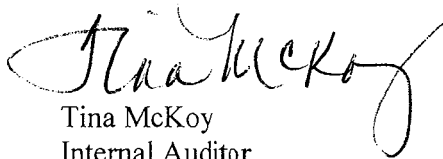



**DATE:** September 22, 2021  
**TO:** Marlene Druga, Director of Financial & Administrative Services  
**FROM:** Internal Audit Division  
**SUBJECT:** Reply to Response for City Inventories – FYE June 30, 2021  
(No Response Required)

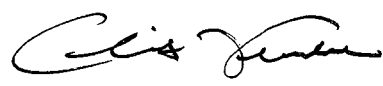
The Internal Audit Division has received your response to our final report dated August 19, 2021 for fiscal year ended June 30, 2021 City Inventories. We find your response to our finding sufficient; and there are no additional responses required.

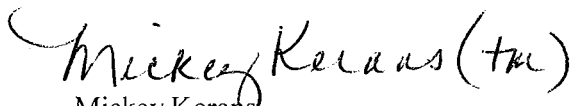
We would like to thank the staff of your Department for their assistance and cooperation during this review. If there are any questions concerning the details of this review, please call us at 373-2823.

  
Len Lucas  
Internal Audit Director

  
Tina McKoy  
Internal Auditor

  
Garland Wells  
Internal Auditor

  
Chris Venable  
Internal Auditor

  
Mickey Kerans  
Internal Auditor

Cc: Larry Davis, Assistant City Manager

Attachment