



Date: September 22, 2014
To: Thomas J. Bonfield, City Manager
From: Germaine Brewington, Director of Audit Services
Subject: Inventory Performance Audit (June 2014)
Dated September 2014

Executive Summary

The Audit Services Department performed this audit to determine if the inventory value recorded on the City's general ledger as of June 30, 2014 was fairly stated.

Background

Annually, the Audit Services Department conducts an audit of the City's yearend inventory procedures and valuation. Historically, departments are chosen based on the total recorded value of their inventory. The emphasis of this audit is to determine if the inventory value recorded on the City's general ledger was fairly stated as of June 30, 2014.

Each department utilizes its own unique inventory system. These systems included purchased computer software programs (Faster and CityWorks) or spreadsheet applications. The Finance Department adjusts the inventory valuation recorded on the City's general ledger at yearend, based on the physical inventory count.

The City values its inventories using the weighted average cost method (which approximates the first-in, first-out method). The value of the City's inventory as of June 30, 2014 was approximately \$1,895,150 compared to \$1,924,492 as of June 30, 2013.

The Departments or Divisions selected for the June 30, 2014 inventory observation and valuation were as follows: Fleet Management; Water Management Department – Plant Engineering & Maintenance Division, Water Supply & Treatment Division (Brown WTP & Williams WTP), Water Reclamation Facility Division (North Durham & South Durham), and the Water & Sewer Maintenance Division.

Results in Brief

The inventory value reported on the City's general ledger was fairly stated as of June 30, 2014.

Recommendation

The Department of Audit Services recommends the City Council receive and accept the Inventory Performance Audit dated September 2014 as presented and approved at the September 22, 2014 Audit Services Oversight Committee meeting.

Attachment