



**Date:** August 24, 2015  
**To:** Thomas J. Bonfield, City Manager  
**From:** Germaine Brewington, Director of Audit Services  
**Subject:** Transmittal of Inventory Audit (June 2015) dated August 2015

### **Executive Summary**

The Audit Services Department completed the report for the Inventory Audit dated August 2015, which was for the fiscal year ending June 30, 2015. The purpose of the audit was to determine if the inventory value recorded on the City's general ledger as of June 30, 2015 was fairly stated.

### **Background**

Annually, the Audit Services Department conducts an audit of the City's yearend inventory procedures and valuation. The value of the City's inventory as of June 30, 2015 was approximately \$2,362,434 compared to \$1,895,150 as of June 30, 2014.

Historically, departments are chosen based on the total recorded value of their inventory. The Departments or Divisions selected for the June 30, 2015 inventory observation and valuation included:

- Fleet Management
- Water Management
  - Plant Engineering & Maintenance Division
  - Water Supply & Treatment Division (Brown Plant & Williams Plant)
  - Water Reclamation Facility Division (North Durham & South Durham)
  - Water & Sewer Maintenance Division

The City values its inventories using the weighted average cost method (which approximates the first-in, first-out method). 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.

### **Issues and Analysis**

The attached report details the objectives, observations, and results of the Inventory Audit dated August 2015 for the fiscal year ending June 30, 2015.

### **Recommendation**

The Department of Audit Services recommends the City Council receive and accept the Inventory Audit (June 2015) dated August 2015 as presented and approved at the August 24, 2015 Audit Services Oversight Committee meeting.

Attachment