



MEMORANDUM

City of Fort Smith

Internal Audit

TO: Carl Geffken, City Administrator

FROM: Tracey Shockley

DATE: June 2021

SUBJECT: City Department Assets Audit – Executive Summary

Objective and Scope

The purpose of the asset remediation audit was to review the asset management process for equipment, vehicles, inventory, and assess the controls in place to track, inventory, store, retrieve, transfer, and dispose of throughout the city. This audit was a follow-up to the 2015 City asset audit which identified a number of control deficiencies.

The audit objective for the asset remediation audit was to determine whether assets were maintained within the parameters of the City of Fort Smith policies and procedures and that the assets purchased were properly documented for location and the asset is still the property of the City. Additionally, to verify prior management responses from the Asset audit were implemented.

Effective management of resources requires that reliable information be maintained, proper support detailing the assets' location, and assets were communicated and documented to the necessary departments for appropriate record-keeping purposes.

Conclusion

The departments have the responsibility for managing all non-capital and capital assets assigned to them. Effective management of resources requires that reliable information be kept about what items are purchased, where they are located, and when they are retired.

The items that were missing pointed out some of the weaknesses in the current system. Employees with purchasing authority were not necessarily responsible for ongoing use of the items they purchased. Not only did this pose a risk of theft or loss, it also made the purchaser vulnerable to accusations of theft or loss. Therefore it is essential to ensure that assets are entered into the system when purchased/received.

After identifying assets within the different departments, and reviewing the reporting procedures, it was determined that:

- 1) The Purchasing Department does not have an updated Purchasing Department Manual (**Repeat Finding**).
- 2) The Purchasing Department does not have fixed asset policies and procedures (**Repeat Finding**).

- 3) The excel spreadsheet provided from Purchasing had incorrect VIN numbers, assets not listed correctly (had as County owned and was City owned, type of asset, etc...)
- 4) Disposed or auctioned assets listed on the City's inventory list **(Repeat Finding)**.
- 5) Assets are not listed with uniform description for all like items **(Repeat Finding)**.
- 6) Assets not in Munis system correctly or could not be located in Munis (i.e. VIN number incorrect, year of asset not correct, etc...).
- 7) Insurance maintained on assets that are no longer in the City's possession.
- 8) A majority of the departments do not maintain an on-site based inventory, complete with annual updates procedures **(Repeat Finding)**.
- 9) Items that are missing are not researched or reported **(Repeat Finding)**.
- 10) Assets are not etched with the VIN number, serial number, identifying number, or asset tags were removed **(Repeat Finding)**.
- 11) Keys left in equipment and vehicles unsecure/unattended **(Repeat Finding)**.

The following are fixed assets best practices which the City of Fort Smith does not have:

- A) Allowable supplies for purchasing (list of pens, paper, ink, etc...) and central location to store supplies - The City does not currently specify particular brands or price points of supplies as allowable purchases. Including this element in the purchasing policy could save the City on everyday purchases. Additionally having a central location to buy and store bulk supplies, and a "one stop shop" for the departments allows for possible cost savings and efficiency. The Blue Lion has a large basement with a loading dock, FOB access, cameras and allows for office furniture storage, bulk storage, etc....
- B) City-wide Boot contract - The City does not currently have a City-wide boot contract in place. Contracting with a local company would ensure certain sizes and brands are kept in stock at a reasonable cost.
- C) Motor pool area for all City assets that need repaired - Instead of routine maintenance and non-extensive vehicle repairs on City vehicles being performed by outside businesses, a motor pool area could be established. Having a City wide mechanic could prevent higher than necessary labor costs and part prices. Additionally it would establish routine and preventive maintenance, maintain records for the assets health, allow for inventory consolidation to buy in bulk, and installing systems (Ligo/GPS). It also allows for properly decaling vehicles, work order tracking, mechanics assist each other, save on tools, and flexibility.
- D) Departments should validate the insurance valuation on assets and equipment are reasonable - Departments should verify all current assets are included on the insurance listing and insured for the correct amount. By ensuring the removal of assets no longer in the departments possession, and items aren't over insured the City can see a reduction in premium amounts. It was noted by several departments that once the asset is no longer used by the department, it will not be replaced.
- E) No location to store fixed assets and auction items - The City does not have a location to store fixed assets that are surplus, to be auctioned, not useable, etc... Failure to maintain a location for fixed assets means the City could be susceptible to theft, inventory errors, auction errors, and over or under stated financials. Additionally, the City does not have a database to identify items/assets departments will be disposing/auctioning. This database would give the other departments the opportunity to use the items/assets instead of purchasing it and save the City money.

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