



MEMORANDUM

City of Fort Smith

TO: Alie Bahsoon, Purchasing Manager
Andy Richards, Finance Director

FROM: Tracey Shockley

DATE: May 2021

SUBJECT: Purchasing Department Assets Remediation Audit

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

1. The Purchasing Department does not have an updated Purchasing Department Manual (**Repeat Finding**). During the review of the Purchasing Department Manual it was noted that it had not been updated since 2012 and had procedures that were no longer in place, legal, or relevant. The Purchasing Department does not review the department manual annually to ensure policies and procedures are current. Based upon a discussion in September of 2020 the Purchasing Manager stated the manual would be ready in October, however to this date no updated manual has been

provided. Additionally, other departments that are audited by the State and Federal Agencies use or consider the purchasing manual, which leads to a possible exception or observation in their report.

2. The Purchasing Department does not have fixed asset policies and procedures **(Repeat Finding)**. The Purchasing department does not have policies and procedures in place for fixed assets. Without fixed asset policies and procedures in place, the City departments do not have the ability to determine the correct procedure to follow, which increases the risk of inconsistencies, irregularities and non-compliance. Policies and procedures have not been established for security of vehicles and equipment keys or for how disposals and scrap items are to be handled. The policies should be included in the Purchasing Departments Manual.
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...) The asset listing provided by Purchasing had discrepancies when compared to the physical assets. Therefore, the information provided to the departments, Finance, and the insurance is inaccurate with respect to assets or information about certain assets
4. Disposed or auctioned assets listed on the City's inventory list **(Repeat Finding)**. The Purchasing Department had assets on the manual (excel spreadsheet) inventory list that were previously disposed of or auctioned.
5. Assets are not listed with uniform description for all like items **(Repeat Finding)**. The Purchasing Department has not established guidelines for fixed asset identification. Identical fixed assets are not described with the same information. During the audit of fixed assets, it was noted that multiple assets that were identical were not uniquely identified on the asset listing to distinguish assets with the same make, model, etc.... Several of those asset's VIN, serial or model numbers could not be found and therefore it could not be verified that the correct asset was being inspected. Failure to have uniformity with fixed assets could cause a fixed asset to be removed mistakenly from the fixed asset register.
6. Assets not in Munis correctly (i.e., VIN number incorrect, year of asset is not correct, etc...). The Purchasing Department maintains a list of assets on an excel spreadsheet rather than using the Munis system for asset recordkeeping. It should not be necessary to maintain a separate, manual system for fixed assets in Purchasing.
7. Insurance maintained on assets that are no longer in the City's possession. During the review of assets and equipment it was noted that insurance was paid on assets which the City was no longer had possession. Failure to remove assets and equipment from insurance coverage causes the City pay premiums for assets departments no longer possess

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...). The City does not currently specify particular brands or price points for supplies as allowable purchases. Including this element in the purchasing policy could save the City on everyday purchases
- B) City-wide Boot contract
- C) No location to store fixed assets and auction items.
- D) Departments should validate that insurance valuation on assets and equipment are reasonable.

cc: Audit Advisory Committee
Board of Directors

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