

Municipality
of
Anchorage



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Rick Mystrom, Mayor

OFFICE OF THE INTERNAL AUDITOR

April 07, 1995

Internal Audit Report 95-07
Controls Over Parts and Tools
Solid Waste Services

Introduction. Vehicles owned and operated by Solid Waste Services are maintained and repaired by two vehicle maintenance shops located at the Refuse Warm Storage facility and the Anchorage Regional Landfill. The shops purchase both parts and tools required to maintain the vehicles.

Scope. Our audit objective was to determine the adequacy of procedures and controls over parts and tools in the Vehicle Maintenance Section at Solid Waste Services. The audit period was January 1994 through February 1995. The audit included tests of accounting records and such other procedures as we considered necessary in the circumstances.

Overall Evaluation. Controls over parts and tools required strengthening. Specifically, inventory records were not always accurate and records were not maintained for all shop tools owned by Solid Waste Services.

FINDINGS AND RECOMMENDATIONS

1. Inventory Records Were Not Accurate.

- a. **Finding.** Inventory records were not always accurate. Our inventory of a sample of 50 inventory items selected from the Refuse Warm Storage parts inventory and 50 inventory items selected from the Anchorage Regional Landfill parts inventory revealed a 41% discrepancy rate between the inventory records and the actual inventory on hand. In addition, a reconciliation between inventory on hand and inventory records had not been performed since 1993. As a result, inventory levels were not accurately stated and Solid Waste Services personnel had not identified and researched differences in a timely manner.
- b. **Recommendation.** Solid Waste Services should perform regular inventories of parts in order to detect and resolve irregularities. Further, a reconciliation of actual inventory to records should be performed in a timely manner.
- c. **Management Comments.** Management concurred with the finding and stated, "Solid Waste Services has been aware of the problem and has been working on a permanent solution. It should be noted that Solid Waste Services has other controls in place that prevent the misappropriation of purchased parts. Solid Waste Services has

identified a bar code scanning program as the solution. It is expected to be in place by the end of 1995. A complete inventory will be taken annually at a minimum. Solid Waste Services will reconcile actual inventory to the inventory records on a timely basis."

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

2. **Controls Over Tools Required Strengthening.**

- a. **Finding.** Controls over tools used in the Vehicle Maintenance Section required strengthening. Periodic inventories of tools owned by Solid Waste Services were not performed nor were the tools entered on records of accountability. In addition, tools owned by Solid Waste Services were not always identified as such by either an engraving or other permanent identification method. As a result, the potential existed for undetected loss and misappropriation.
- b. **Recommendation.** Controls over tools should be strengthened. Solid Waste Services owned tools should be recorded on a tool listing and accounted for while performing periodic inventories.
- c. **Management Comments.** Management concurred with the finding and stated, "Solid Waste Services will add the tools owned by Solid Waste Services to the inventory system currently in place. Solid

Waste Services will perform periodic inventories of the Solid Waste Services owned tools. Solid Waste Services will also permanently identify all Solid Waste Services owned by some appropriate method."

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

3. **No Formal Written Policies and Procedures.**

- a. **Finding.** Solid Waste Services did not have formal written policies and procedures regarding the procurement, inventory, safeguarding, or documentation requirements for the issuance of parts and tools and subsequent charging to a work order in the Vehicle Maintenance Section. Written policies and procedures formalize management directives and are the foundation for strong internal control as well as providing continuity in procedure use and application.
- b. **Recommendation.** Written policies and procedures regarding the procurement and safeguarding of parts and tools should be developed and implemented.
- c. **Management Comments.** Management concurred with the finding and stated, "Solid Waste Services will develop formal written policies regarding the procurement, inventory, safeguarding and documentation

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requirements for the issuance of parts and tools and subsequent charging to work orders."

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

Discussions With Responsible Officials. The results of this audit were discussed with appropriate municipal officials on March 14, 1995.



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