



City of San Antonio

Agenda Memorandum

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In Control: Audit and Accountability Committee

AUDIT COMMITTEE SUMMARY

October 17, 2017

Audit of Finance Department Citywide Inventory

Report Issued September 8, 2017

Audit Objective

Determine if COSA capital assets and tracked property inventories are managed in compliance with city policies and accounting procedures.

Background

The Finance Department acts as the top-level control and oversight for all capital assets and tracked property. They are responsible for accurately reporting the value of all capital assets in the City's Comprehensive Annual Financial Statements, creating and maintaining master data for all capital assets and tracked property and scheduling, coordinating and reviewing inventories to be taken by City Departments.

The Finance Department maintains oversight of all capital assets and tracked property. Capital assets include land, buildings, infrastructure, improvements, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives longer than one year and meet the City's \$5,000 capitalization threshold. Tracked property is assets that would otherwise have been capitalized except for the fact that its cost was below the capitalization threshold. Such items are rolling equipment, electronic devices, computer equipment and software and furniture and fixtures.

Audit Scope and Methodology

The audit scope included citywide inventory processes for both tracked property and capital assets that occurred in fiscal year 2015 and fiscal year 2016.

We reviewed the capital assets and tracked property inventory processes. We reviewed capital assets were accurately reported and documented in SAP. We reviewed the tracked property inventory process for the proper management of inventory. In addition, we reviewed the tracked property master file in SAP to determine proper reporting of City assets.

Audit Conclusions

Capital assets and tracked property inventories are managed in accordance with Administrative Directive 8.7. The department has effective controls to ensure all purchases over \$5,000 are capitalized.

However, we identified areas that need improvement. The Finance department does not have consistent inventory management processes for tracked property. Also, we identified areas where controls could be implemented to improve the inventory count process. Finally, capital assets and tracked property master files were not complete and accurate.

We made recommendations to address the opportunities. Finance Department Management concurred with the recommendations and developed positive corrective action plans.