

Memorandum



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TO: Dewey Williard, Accounting Services Manager
FROM: Paul Sherman, Internal Auditor
DATE: July 8, 2022
SUBJECT: Physical Inventory Observation – Fleet Services
CC: Lee Garrity, Kelly Latham, Johnnie Taylor, Will Smith, Nicholas Geis, Scott Tesh

On June 30, 2022, a physical observation of the year-end inventory of supplies at Fleet Services was performed.

Scope: The purpose of the physical observation was to determine the accuracy of detailed records for supply inventories. The scope of work performed included a count of items on hand. Unit prices were agreed to invoices. Sampling techniques were used. The internal control environment was reviewed, but the effectiveness of individual internal accounting control procedures was not tested or evaluated. The existence of surplus units or the impairment of carrying values was not evaluated.

Findings: During Internal Audit's physical observation 39 test count exceptions, or 44.32% of the sample selected, were noted. Absolute value of the test count exceptions represented \$31,356.66, or 13.76% of total sample value. Inventory records were adjusted to reflect accurate quantities on hand. Verification of unit dollar values produced no material variances. Total year-end supply inventory values after corrections were as follows:

	<u>2022</u>	<u>2021</u>
Store 1	\$732,576.02	\$619,302.68
Store 2	\$ 71,535.24	\$ 71,149.49
Store 4	\$ 83,473.50	\$ 93,584.57
Store 5	\$ 11,804.73	\$ 4,192.26
Store 1A	\$ 17,691.16	\$ 9,310.29
City Yard Gasoline	\$ 51,325.41	\$ 27,740.99
City Yard Diesel	\$ 72,076.39	\$ 30,230.62
MLK Gasoline	\$ 22,852.02	\$ 8,250.70
MLK Diesel	\$ 32,884.67	\$ 5,721.76

Conclusion: Internal Audit was unable to verify that inventories of supplies at Fleet Services are reasonably recorded in the detailed inventory records at June 30, 2022.

Paul J. Sherman