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## **AUDIT REPORT**

**CITY AUDITOR**

<b>Report Date:</b>	<b>December 8, 2015</b>
<b>Department:</b>	<b>Information Technology Department (ITD)</b>
<b>Subject:</b>	<b>Procurement and Inventory Management Processes</b>
<b>Lead Auditor:</b>	<b>Dawn von Epp</b>

### **OBJECTIVE**

This audit was conducted to evaluate the effectiveness of internal controls related to ITD procurement and inventory management processes.

### **SCOPE & METHODOLOGY**

We interviewed ITD staff, observed stockroom operations, reviewed and tested the asset procurement, receipting, and deployment processes for the 6 months ended 6/30/2015, and performed other tests and procedures as necessary to meet the audit objectives.

### **BACKGROUND**

ITD's Asset Management team uses an internally developed system, known as Service Management and Resource Tracking (SMART), to track IT assets from procurement through deployment, and to maintain detailed service and inventory records related to those assets.

#### **Process Overview**

A catalog of approved assets is maintained within SMART, and departments use this system to place orders. Each order is reviewed and approved from a functional and technical aspect prior to a Purchase Order (PO) being initiated. This ensures that the purchase is needed (i.e. we don't already have one in inventory), that it is compatible with existing systems, and that it is in alignment with ITD strategic plans. Approved purchases are ordered and shipped to the ITD Stockroom, where staff records the received items in SMART and notifies the deployment team that the items have arrived. When an item is removed from the Stockroom, the name of the employee who picked it up is recorded in SMART, thereby assigning temporary custody of the item until it is placed into service at its final location. After the deployment process is complete, SMART is updated with specific location and ownership information, so that the asset can be accurately inventoried and located when necessary.

**CONCLUSION**

In our opinion, internal controls related to ITD's procurement and inventory management activities are in place and operating effectively to provide reasonable assurance that IT assets are purchased, stored, deployed, and inventoried in accordance with City and departmental policies. However, we also identified some opportunities for improvement in existing controls related to the accuracy and completeness of chain of custody and location data. For specific observations & recommendations, as well as responses from management, please see the attached Corrective Action Plan (CAP).

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**CAP #1: Accuracy and Completeness of SMART Records**

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**Observations:** Internal controls are not always effective in tracking chain of custody and/or location data for assets, from the time they are picked up at the ITD Stockroom through deployment to their final destination. Specifically, the identity of the individual who picks up the asset from the Stockroom is not always recorded; and the final location is not always updated after the deployment is complete.

**Comments:** ITD Stockroom procedures require staff to document the identity of an individual who picks up an asset from the Stockroom, both in the SMART Asset Management module and in the related SMART Task. However, we found that in some cases this procedure was not completed, or was only partially completed.

In addition, the individual who deploys an asset is responsible for updating the SMART asset location field to indicate where the asset was deployed. This step, which is intended to ensure that the asset can be tracked and located at any time, was not always completed.

Staff compliance with these procedures has not been actively monitored.

**Recommendation:** 1-1. ITD staff members should comply with established procedures for documenting the chain of custody of assets removed from the Stockroom. This includes updating the final location after deployment.

1-2. ITD managers should actively monitor compliance with established procedures for updating SMART asset location information, both during and after deployment.

**Management Response:**

1-1. [Agree.](#)

**Implementation Plan:**

[Re-train ITD deploy staff and their supervisors/managers on the procedures for asset check-out and location updates. Provide training in person and follow up with documentation in the Learning Center. Plan for refresher training every 6 months.](#)

**Individual or Position Responsible:**

[Angie Earl, IT Manager](#)

**Estimated Completion Date:**

[5/16/2016](#)

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1-2. Agree.

**Implementation Plan:**

Provide automated report to ITD Managers on a periodic basis (monthly) to identify records in which their reporting staff are listed in the location data field of the asset record; this report will be a means for managers to monitor their staff's compliance for updating asset location information. Stockroom staff will also conduct periodic compliance reviews via same report and escalate discrepancies to their supervisor for follow up action.

**Individual or Position Responsible:**

Angie Earl, IT Manager

**Estimated Completion Date:**

5/16/2016