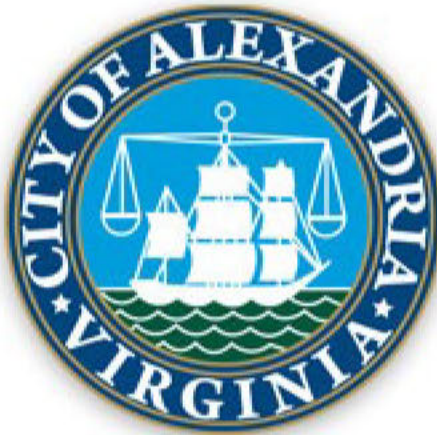


CITY-WIDE INVENTORY AUDIT (AR25-02)



This report contains redactions involving
proprietary systems and internal control
or physical security measures.



Executive Summary

City-Wide Inventory Audit (AR25-02)

Background: The Office of Internal Audit (OIA) conducts cyclical audits in order to assist the Finance Department with year-end closing activities leading to the preparation of the Annual Comprehensive Financial Report (ACFR). The last audit of this type occurred in FY21 and recommended that a tiger team be created in order to address the outdated Administrative Regulation 4-4. Due to the COVID-19 Pandemic, other priorities took precedence and no major changes to inventory operations occurred.

Our audit program was constructed to assess the status of the inventory program. The key requirements of the inventory regulation A.R. 4-4 are that departments complete an annual inventory count and utilize a perpetual inventory system. Our audit reviewed these areas as well as industry recognized key internal controls such as segregation of duties, assignment of responsibility, and development of internal policies. To assess the accuracy of the annual inventory count we conducted a test count of key inventory items. We also assessed the physical security measures that have been deployed to protect the assets.

Conclusions:

- All departments complete the annual inventory audit. Our test count indicated that some departments are more effective than others
- Not all departments have deployed a perpetual inventory system and those with the systems and adequate staffing generally performed the best on the test count
- Some departments had challenges with segregation of duties
- Most departments had created internal policies regarding inventory
- All departments have deployed varying degrees of physical security measures

Recommendations: The Office of Internal Audit made the following recommendation:

- We recommend that the City Manager direct the Finance Director to convene a standing Tiger Team to update AR4-4 and assist with development of Department level policies.

Departmental Response: As a result of the audit all departments submitted responses regarding the recommendations and OIA will follow up with them in the coming months.

City-Wide Inventory Audit

AR 25-02



This Audit Report has been approved for release and has been transmitted to the individuals listed below.

Original Signed

Robert Snyder

Chief Internal Auditor

Report Distribution:

James Parajon	City Manager
Emily Baker	Deputy City Manager
Yon Lambert	Deputy City Manager
Alethea Predeoux	Deputy City Manager
Julian Gonsalves	Deputy City Manager

Select Department Heads

April 25, 2025

AR 25-02

City-wide Inventory Audit
AR 25-02
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AR25-02 CITY-WIDE INVENTORY AUDIT

Background

The Office of Internal Audit (OIA) conducts cyclical audits in order to assist the Finance Department with year-end closing activities leading to the preparation of the Annual Comprehensive Financial Report (ACFR). The cyclical audits also include inventory. OIA annually conducts a risk assessment where we asked the City's fiscal officers for their input on areas of risk. The FY24 risk assessment indicated that inventory was an area of great concern. The City of Alexandria has large reserves of assets including individual items such as office supplies which are expensed, stockpiles of inventory with combined values of over \$5,000 that are reported on the City's balance sheet, and fixed assets which are capitalized. According to the ACFR for FY24 the City had over \$7.6 Million worth of inventory and supplies.

Due to the materiality of inventory as well as concerns identified in the FY24 risk assessment, OIA placed a City-wide inventory audit on our audit plan. This will be the first comprehensive audit of inventory operations since FY21 due to the COVID-19 pandemic. Keeping accurate records of inventory is crucial for the following reasons:

- They improve operations due to understanding the level of current stocking.
- They aid with accurate budgeting and financial decisions
- Inventories are a strong deterrent against theft
- Inventory records allow for estimation in the event of fire, damage, or other loss.

Objective, Scope, & Methodology

One of the main objectives of this audit was to obtain an understanding of A.R. 4-4 Inventory of Supplies and Materials and the requirements of each department under the regulation. The controls that we tested that were listed in A.R. 4-4 are 1) the requirement to utilize a perpetual inventory system to track inventory and 2) conducting a yearly physical inventory. Furthermore, we researched industry best practices regarding inventory and included segregation of duties, the existence of policies and procedures, and physical security assessment in the scope of our audit for each department.

To assess the accuracy of the inventory totals provided to the Accounting Division, we conducted a test count for each department. The selection of the test count items was based on materiality and risk. In addition to the test count we created a control checklist to see which of the controls the departments had incorporated. The departments we included in this report were:

- Alexandria Police Department (APD) - Property and Evidence Section and Police Range
- Alexandria Fire Department (AFD) - AFD Bunker, AFD Fleet, and AFD Emergency Medical Services (EMS)
- Department of Emergency and Customer Communications (DECC)
- Office of Historical Alexandria (OHA)
- Recreation, Parks, and Cultural Activities (RPCA)
- Sheriff's Office
- Transportation and Environmental Services (T&ES) - Public Works Services (PWS), and Traffic and Signals Division

AR25-02 CITY-WIDE INVENTORY AUDIT

We did not conduct inventory test counts of fixed assets or audit other areas of department operations and therefore we will not render an opinion on areas outside of the scope of this audit.

Findings, Conclusions, and Recommendations

Our audit identified similar conditions as the prior [City-wide Audit of Inventory Operations](#) which was issued in FY21. All departments comply with the annual inventory requirement but only some of them have deployed perpetual inventory systems. Findings related to industry best practices such as segregation of duties, existence of internal policies, and presence of items not included in the annual inventory were identified during the audit. Table 1 below summarizes the audit findings.

Table 1 Inventory Audit Findings

Department	Annual Inventory	Perpetual Inventory System	Internal Policies	Segregation of Duties	Reporting Expansion	Fiscal Authorization Form*
RPCA	X	--	--		X	
APD	X	X	X	X	X	
OHA	X	--	--	X	X	
Sheriff	X		X	X		
DECC	X		--	X		
T&ES PWS	X					
T&ES Traffic and Signals	X			X	X	
Fire Fleet	X	--			X	
Fire EMS	X				X	
Fire Bunker	X	--			X	
(X) Complies with requirement or industry best practice (--) Complies but needs improvement (Blank) Does not Comply * Finance is in the process of updating this form. Once updated all departments agreed to submit updated forms.						

Annual Inventory

The key requirement of A.R. 4-4 is the requirement of an annual inventory completed at the close of the fiscal year. We found that every single department included in our scope complied with this requirement. As part of our audit OIA conducted test counts for each division in conjunction or immediately following their annual inventory count. The selection of items was based on risk and materiality. The test counts were used to assess the effectiveness of the department's controls and justify our recommendations. For example, APD had a strong inventory count i.e. they were able to verify nearly all the items that we tested for. This allowed us to infer that the controls that they had in place were working.

AR25-02 CITY-WIDE INVENTORY AUDIT

However, let us say another department had the same controls in place, but their test counts were not accurate. That would give OIA the inference that although the controls are in place they are not operating effectively. We noted in our test count that some departments accounted for more items than we tested for. This indicates that their tracking process during the year is ineffective for that type of item. An important point to remember is that these counts are maintained by the departments so if a test count indicated excess items in stock, it speaks to the potential that their inventory count was less accurate. See Table 2 for each department's test count accuracy.

Table 2 Inventory Test Count Results

Department	Total Inventory Value	Test Count Sample Size	Test Count Accounted For	Accuracy Percentage
Departments/Divisions with Perpetual Inventory Systems				
APD (1)	\$1,339,898	\$250,467	\$250,279	99.92%
Fire Bunker	\$597,965	\$127,681	\$125,372	98.19%
OHA - Lyceum	\$76,289.79	\$34,170	\$27,294	79.88%
Fire Fleet	\$243,768	\$54,407	\$40,790	74.97%
OHA - Gadsby's Tavern (2)	\$32,079.06	\$10,532	\$29,825	283%
Departments/Divisions without Perpetual Inventory Systems				
DECC	\$10,000	\$10,000	\$10,000	100.00%
Sheriff's Office (3)	\$178,791	\$8,622	\$8,724	101.18%
T&ES Traffic and Signals (4)	\$243,222	780 Units	721 Units	92.44%
RPCA	\$229,078	\$53,134	\$46,411	87.35%
Fire EMS (5)	\$115,510	N/A	N/A	N/A
(1) Inventory test count included the Property and Evidence Section and the Police Range.				
(2) Discrepancy caused by numerous underreported items.				
(3) Discrepancy caused by one (1) underreported item.				
(4) Inventory listing during test count did not have prices.				
(5) Fire EMS reconciles amount on hand to amounts listed on vendor provided lists.				

A.R. 4-4 provides very specific instructions regarding the conduct of the inventory, which may have been effective but now are outdated. Interviews with staff members and observations at the department level indicate that these instructions are not followed. Additionally the A.R. mentions accounting treatments which are not facilitated by the systems and processes currently in place.

Perpetual Inventory System

One of the key provisions of A.R. 4-4 is the existence of a perpetual inventory system for each department. Perpetual inventory systems are preferred over manual entry methods because they provide several benefits. First and foremost, a perpetual inventory system significantly reduces the amount of human error in the inventory process. Constantly requiring an employee to update a spreadsheet can lead to higher amounts of human error. All it takes is the employee forgetting to update the spreadsheet a few times and it can lead to inaccurate information. Instead, the perpetual inventory system would automatically update inventory as items go in and out. Other benefits of the perpetual inventory system include increased visibility into inventory items acquired which can lead to more effective purchasing decisions and less opportunity for waste.

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APD has the most robust perpetual inventory system. They use the [REDACTED] which updates after items are issued and allows them to assign personal inventories to each officer. Furthermore, although purchases do not directly interface with the [REDACTED], APD is able to upload receipts which acts as a mitigating control. Their inventory test count indicated an almost 100% accuracy rate.

Fire Fleet, Fire Bunker, and OHA have perpetual inventory systems, but they are not optimized. More specifically, none of the perpetual inventory systems for the departments listed above interface with the [REDACTED]. Therefore, while inventory is automatically updated as items are issued, they are not automatically updated as items are ordered.

Fire EMS, DECC, RPCA, T&ES PWS/Traffic and Signals Division, and the Sheriff's Office do not have perpetual inventory systems. These departments rely on manual entry using spreadsheets which is more labor intensive and decreases accuracy. However, it should be noted that there is room for nuance for some of these departments. For example, the inventory controlled by DECC includes a small number of assets which may not justify the purchase of a perpetual inventory system. DECC was able to obtain an accurate count which was confirmed by our test count; therefore the deployment of a perpetual inventory system was not recommended.

We understand that A.R. 4-4 requires the use of perpetual inventory systems, however we know that they must be tailored to each department's situation on a case-by-case basis. Furthermore, we believe that additional policies and procedures which are covered below can compensate for the lack of the perpetual inventory record system and provide for a more cost-effective inventory operation. The Sheriff's Office conducts more frequent inventories and has a more stringent procurement process which supports a higher degree of accuracy that would be expected of departments that do not utilize a perpetual inventory system. Departments that do not have a perpetual inventory system must adopt compensating internal controls such as more frequent inventories or changes to the purchasing operation to maintain an effective inventory.

Department Response
<i>RPCA and both divisions in T&ES agreed to explore Commercial Off The Shelf (COTS) systems in conjunction with ITS and each other. AFD also informed us that they will explore COTS systems and listed several options for expansion for their respective divisions. The Sheriff's Office responded that they would explore this but expressed concern for fiscal impact.</i>

Existence of Policies and Procedures

One of the best practices that we found was the need for internal policies and procedures for each department's inventory process. Each department having their own internal policies increases efficiency and effectiveness while creating accountability for staff. When staff members retire or resign, written policies provide a means of rapidly bringing new staff members onboard with more efficiency.

AR25-02 CITY-WIDE INVENTORY AUDIT

- APD and the Sheriff's Office both have internal policies regarding inventory. We found no exceptions for these two departments. OHA had policies in place, however the staff at the site level were not aware of their internal policies at the time.
- DECC and RPCA had policies in place, however we recommended that they update the policies to include other key controls.
- Fire EMS/Bunker/Fleet and T&ES PWS/Traffic and Signals did not have policies in place. We made recommendations to each of these departments that they create and implement policies that not only establish procedures but also establish key controls.

It should be noted that A.R. 4-4 does not have any mention of internal policies regarding inventory being a key internal control in the inventory process. We will recommend that A.R. 4-4 is updated to include this key control.

Department Response
<i>Departments without internal policies agreed to produce these policies. Ensuring that policies developed by the departments align with industry best practices will be accomplished through an update to A.R. 4-4. The updated will be facilitated by a tiger team which we are recommending as part of this engagement.</i>

Segregation of Duties

Segregation of duties is one of the most important controls that we found in our research and in layman's terms can be described as checks and balances. When there is lack of segregation of duties over inventory, it is usually manifested where one employee has both tasks of ordering and receiving items. This leaves any items ordered vulnerable for possible theft. This weakness can usually be remedied by having another member of the team receive items and verify them. This was the recommendation we gave to the departments that had this weakness.

Fire EMS/Bunker/Fleet of the Fire Department, T&ES PWS, and RPCA had procedural weaknesses with regards to segregation of duties. However, while these Department's did have this procedural weakness it should be noted lack of staffing is a key factor. Additionally, we recommended that RPCA and T&ES should consider and discuss the possibility of consolidating inventory operations because of the similarity of inventory and location of their warehouses. Consolidation of inventory presents the possibility of the segregation of duties issue to be addressed as well as the chance to achieve economies of scale. It should be noted that A.R. 4-4 does not have any mention of segregation of duties being a key internal control in the inventory process. We will recommend that A.R. 4-4 is updated to include this key control.

Department Response
<i>Departments expressed difficulty in addressing the segregation of duties problem. Assigning additional personnel would result in a realignment of existing staff member duties or require the hiring of additional personnel. The use of a standing tiger team to identify possible collateral controls to achieve additional control of the various inventory stockpiles will be part of our overall recommendation.</i>

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Physical Security

Overall each department had initiated some level of physical security controls. However, we did note some exceptions. Physical security refers to the protection of inventory from theft, fire, or any other physical loss. Physical security involves more than the deployment of surveillance cameras, it involves the development of policies, plans, and procedures which can be facilitated by technology. The controls that we reviewed in this area included access control systems, the presence of protected areas secured by locks, and surveillance systems.

During our last audit of inventory operations in FY21 we noted that there were weaknesses with regards to physical security for most of the City's inventory. However, since that audit the General Services Department has hired a Physical Security Coordinator. We believe that this position is crucial to the physical security of the City's operations due to lack of understanding of the engineering processes involving physical security. The Physical Security Coordinator has conducted physical security assessments and drafted a physical security policy. Continued focus on physical security will reduce the threat of loss across the organization.

APD, Sheriff's Office, RPCA, T&ES PWS/Traffic and Signals Divisions, and Fire Bunker all received no recommendations regarding physical security. OHA and Fire Fleet/Fire EMS received the following recommendations.

- [REDACTED]
- [REDACTED]

Department Response
[REDACTED]

Country		Year	Value	Unit
Algeria	1990	1.0	1.0	1.0
	1991	1.0	1.0	1.0
	1992	1.0	1.0	1.0
	1993	1.0	1.0	1.0
	1994	1.0	1.0	1.0
	1995	1.0	1.0	1.0
	1996	1.0	1.0	1.0
	1997	1.0	1.0	1.0
	1998	1.0	1.0	1.0
	1999	1.0	1.0	1.0
Angola	1990	1.0	1.0	1.0
	1991	1.0	1.0	1.0
	1992	1.0	1.0	1.0
	1993	1.0	1.0	1.0
	1994	1.0	1.0	1.0
	1995	1.0	1.0	1.0
	1996	1.0	1.0	1.0
	1997	1.0	1.0	1.0
	1998	1.0	1.0	1.0
	1999	1.0	1.0	1.0
Belize	1990	1.0	1.0	1.0
	1991	1.0	1.0	1.0
	1992	1.0	1.0	1.0
	1993	1.0	1.0	1.0
	1994	1.0	1.0	1.0
	1995	1.0	1.0	1.0
	1996	1.0	1.0	1.0
	1997	1.0	1.0	1.0
	1998	1.0	1.0	1.0
	1999	1.0	1.0	1.0
Bhutan	1990	1.0	1.0	1.0
	1991	1.0	1.0	1.0
	1992	1.0	1.0	1.0
	1993	1.0	1.0	1.0
	1994	1.0	1.0	1.0
	1995	1.0	1.0	1.0
	1996	1.0	1.0	1.0
	1997	1.0	1.0	1.0
	1998	1.0	1.0	1.0
	1999	1.0	1.0	1.0
Bosnia and Herzegovina	1990	1.0	1.0	1.0
	1991	1.0	1.0	1.0
	1992	1.0	1.0	1.0
	1993	1.0	1.0	1.0
	1994	1.0	1.0	1.0
	1995	1.0	1.0	1.0
	1996	1.0	1.0	1.0
	1997	1.0	1.0	1.0
	1998	1.0	1.0	1.0
	1999	1.0	1.0	1.0
Botswana	1990	1.0	1.0	1.0
	1991	1.0	1.0	1.0
	1992	1.0	1.0	1.0
	1993	1.0	1.0	1.0
	1994	1.0	1.0	1.0
	1995	1.0	1.0	1.0
	1996	1.0	1.0	1.0
	1997	1.0	1.0	1.0
	1998	1.0	1.0	1.0
	1999	1.0	1.0	1.0
Brazil	1990	1.0	1.0	1.0
	1991	1.0	1.0	1.0
	1992	1.0	1.0	1.0
	1993	1.0	1.0	1.0
	1994	1.0	1.0	1.0
	1995	1.0	1.0	1.0
	1996	1.0	1.0	1.0
	1997	1.0	1.0	1.0
	1998	1.0	1.0	1.0
	1999	1.0	1.0	1.0
Bulgaria	1990	1.0	1.0	1.0
	1991	1.0	1.0	1.0
	1992	1.0	1.0	1.0
	1993	1.0	1.0	1.0
	1994	1.0	1.0	1.0
	1995	1.0	1.0	1.0
	1996	1.0	1.0	1.0
	1997	1.0	1.0	1.0
	1998	1.0	1.0	1.0
	1999	1.0	1.0	1.0
Cameroon	1990	1.0	1.0	1.0
	1991	1.0	1.0	1.0
	1992	1.0	1.0	1.0
	1993	1.0	1.0	1.0
	1994	1.0	1.0	1.0
	1995	1.0	1.0	1.0
	1996	1.0	1.0	1.0
	1997	1.0	1.0	1.0
	1998	1.0	1.0	1.0
	1999			

During our inventory audit we discovered that some departments had items that they did not consider to be reportable on the annual year-end count provided to the Accounting Division. A.R. 4-4 defines inventory only as inventory in stockpiles that have a total value of over \$5,000. Chapter 23 of the Purchasing Manual states that departments are to maintain an inventory of personal property in their control. The Finance Department has not enforced this requirement which points to a discrepancy between the A.R. and the Purchasing Manual. Lack of a consolidated inventory may lead to a higher risk due to fire, damage, or other loss.

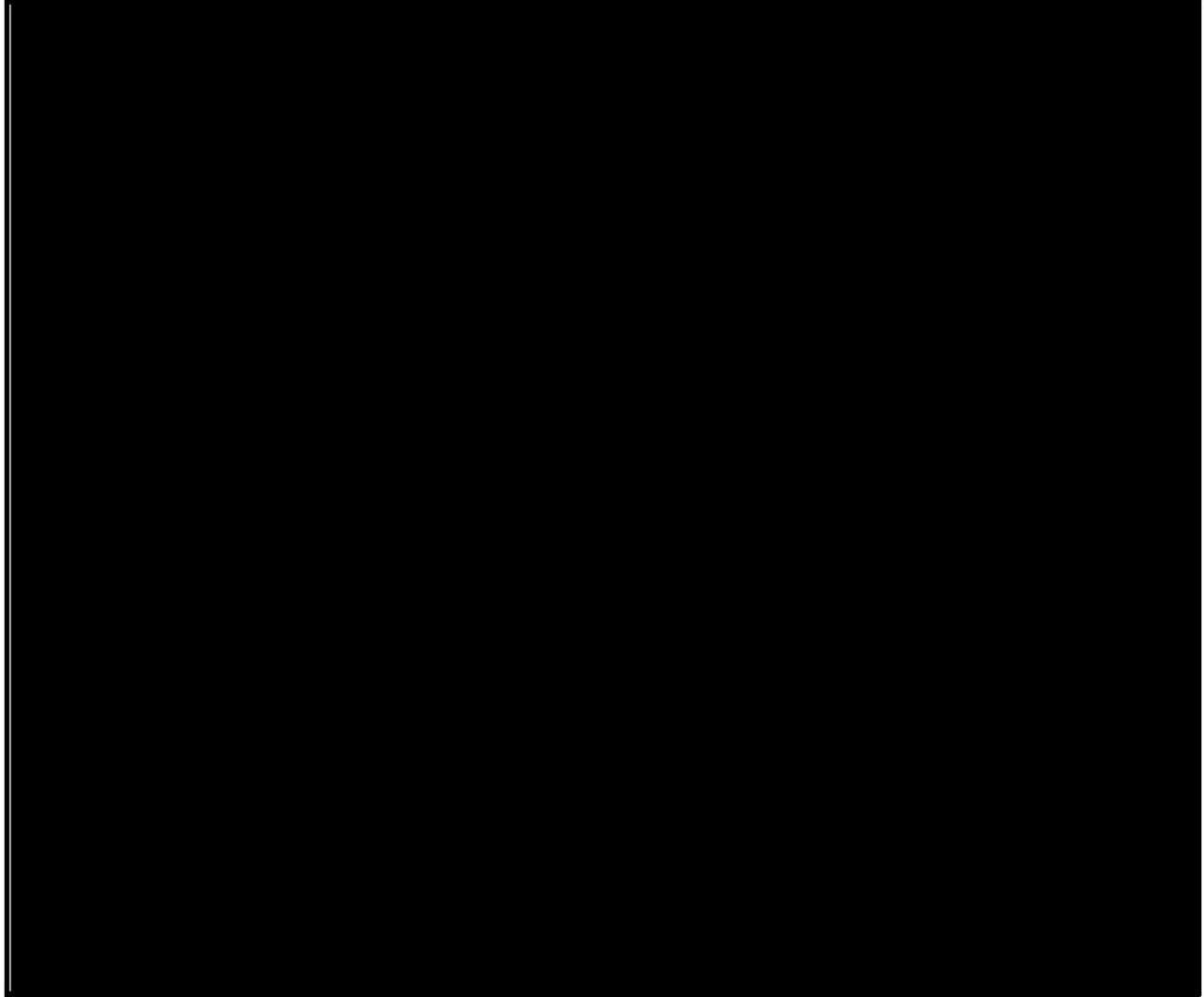
- | Department Response |
|--|
| T&ES responded that they would include lower-value items and consumables in their detailed inventory counts. They will conduct a comprehensive inventory of surplus materials, and the results will be reported to the Accounting Division and will dispose of excess inventory through the surplus process. The Sheriff's Office responded that they would review their inventory and take it into consideration. DECC responded that they will work towards including the inventory items not currently being included on the list being reported to the Accounting Division |

Individual assignment of responsibility is a key deterrent to theft and a crucial piece of any subsequent investigation if theft should occur. While most departments have assigned specific personnel to inventory responsibilities, we recommended that each department increase the formalization of this process. We are aware that the Finance Department is in the process of

AR25-02 CITY-WIDE INVENTORY AUDIT

updating the Authorization for Fiscal Matters form. We recommended that when that form is issued each department submit a new form to correctly assign the staff members in charge of their respective inventory operation.

Exhibit 1 Authorization for Fiscal Matters Form



Department Response
<i>All departments agreed to this recommendation. OIA is working with Finance to assist with training when the form is issued.</i>

AR25-02 CITY-WIDE INVENTORY AUDIT

Conclusion

The current policy states that every department is required to complete an annual inventory, and we have determined that every department within our scope complies with this requirement. The other main requirement is to utilize a perpetual inventory system, and we determined that while some have such a system, others need their system optimized, and some have no such system in place. Furthermore, there are other key industry practices mentioned in this report that should be included in an updated A.R.

A.R. 4-4 took effect on June 28th, 1991, and we believe that it must be updated to include the key industry practices mentioned in this report. The process to update this regulation would be best facilitated by experts at department level operating with support from OIA under the leadership of the Finance Department. A team of experts could be assigned to a tiger team which could more rapidly draft an updated A.R. for the Finance Department. To facilitate continuous improvement, the tiger team could meet semi-annually to discuss new opportunities and challenges related to inventory. Therefore we are making the following recommendation.

Recommendation

1. We recommend that the City Manager direct the Finance Director to convene a standing tiger team to update A.R. 4-4 and assist with development of department level policies.

Department Response

Departments provided a written response to our recommendations which are included in the following pages.

City of Alexandria, Virginia

MEMORANDUM

DATE: JANUARY 16, 2025

TO: ROBERT SNYDER, CHIEF INTERNAL AUDITOR

THROUGH: RENEE GORDON, DIRECTOR-DEPARTMENT OF EMERGENCY & CUSTOMER COMMUNICATIONS (DECC)

FROM: [REDACTED]

SUBJECT: AUDIT RESPONSE TO AUDIT OF INVENTORY OPERATIONS

This memo has been prepared to update our department/office's response to the Office of Internal Audit (OIA)'s recommendations.

1. Add the recommended inventory procedures already being completed into *1.15 DECC Equipment and Property*. Added inventory procedures should include the overall process as well as highlight two of the key controls that are already in place which include segregation of duties and the bi-monthly inventory.

We agree with the recommendation to include the bi-monthly inventory and segregation of duties in our procedure 1.15 DECC Equipment and Property. We will update the policy to reflect these practices and ensure that they are documented as part of our standard operating procedures.

2. Consider expanding the inventory being reported to the Accounting Division.

We will review our current inventory list and identify any supplies and parts related to our radio systems that are not currently reported to the Accounting Division. We will work towards including these items in our inventory reports as appropriate to enhance visibility and efficiency in our inventory purchasing process.

3. Formally designate an inventory custodian for the Department and have them sign the Authorization for Fiscal Matters form when issued by the Finance Department.

We will formally designate an inventory custodian for the Department and ensure that they sign the Authorization for Fiscal Matters form once it is issued by the Finance Department. This will help in formalizing the assignment of responsibilities and improve our internal controls.

Please contact:

[REDACTED]
Division Chief of Public Safety Communications Systems
[REDACTED]

City of Alexandria, Virginia

MEMORANDUM

DATE: JANUARY 14, 2024

TO: ROBERT SNYDER, CHIEF INTERNAL AUDITOR

FROM: GRETCHEN BULOVA, DIRECTOR OFFICE OF HISTORIC ALEXANDRIA [REDACTED]

SUBJECT: AUDIT RESPONSE TO AUDIT OF INVENTORY OPERATIONS (MR25-04.2)

This memo has been prepared to update our department/office's response to the Office of Internal Audit (OIA)'s recommendations.

1. Create formal policies regarding inventory. The policy should include procedures for the inventory process as well as key controls

A draft comprehensive inventory policy that incorporates OHA's current practices and outlines procedures for receiving, tracking, and annual inventory counts is attached. This policy also details segregation of duties and physical security measures.

2. Explore updates to the TAM system or purchase of another system that would allow interface the purchasing process to bolster the tracking capabilities of the inventory.

OHA is in the process of implementing an upgrade to the [REDACTED] system. This will enhance inventory management. [REDACTED] streamlines processes such as creating SKUs, tracking stock levels, managing orders, and processing vendor returns. It supports multi-location tracking and advanced reporting. [REDACTED] ensures that inventory updates are reflected in real time across all locations. Automated replenishment alerts and multi-location tracking provide coordination between purchasing and inventory needs.

[REDACTED]

[REDACTED]

[REDACTED]

4. Formally designate an inventory custodian for the Department and have them sign the authorization for fiscal matter form when issued by the Finance Department.

OHA will formally designate [REDACTED], Assistant Director of Education and Museum Operations, as the inventory custodian responsible for overseeing OHA shop inventory management. Upon issuance of the updated Authorization for Fiscal Matters form by the Finance Department, we will ensure the designated custodian signs and adheres to the responsibilities outlined.

[REDACTED]

ATTACHMENT: Office of Historic Alexandria Shop Inventory Policy

City of Alexandria, Virginia

MEMORANDUM

DATE: JANUARY 17, 2025

TO: ROBERT SNYDER, CHIEF INTERNAL AUDITOR

FROM: JACK BROWAND, ACTING DIRECTOR [REDACTED]
DEPARTMENT OF RECREATION PARKS AND CULTURAL ACTIVITIES

SUBJECT: RESPONSE TO RESULTS OF AUDIT OF INVENTORY OPERATIONS
(MR25-04.03)

This memo has been prepared to update our department/office's response to the Office of Internal Audit (OIA)'s recommendations.

1. Explore COTS inventory systems and consider adopting and integrating them.

RPCA Park Services is exploring inventory apps that will allow provide electronic real-time warehouse tracking of supplies to provide a perpetual inventory system for the Warehouse at [REDACTED]

UPDATE RESPONSE

2. Segregate the duties of receiving, ordering, and issuing supplies to ensure that no single employee can perform all functions

We have implemented segregation of duties controls (SOD). Ordering will be provided by section supervisors and verified by section Division Chiefs. Items will be received by the Equipment Maintenance Supervisor.

UPDATE RESPONSE

3. Create formal policies regarding inventory. The policy should include procedures for the inventory process as well as key controls.

Park Services will coordinate the updating of RPCA ICC Policy 6.1. INVENTORY AND FIXED ASSETS CONTROL to include procedures for the inventory process as well as key controls for the Warehouse at [REDACTED]

UPDATE RESPONSE

4. Formally designate an inventory custodian for the Department and have them sign the Authorization for Fiscal Matters form when issued by the Finance Department.

The Park Support Division Chief, or designee is the inventory custodian for the Warehouse at [REDACTED] and is responsible for the signatures on the Authorization for Fiscal Matters form.

UPDATE RESPONSE

5. Explore collaboration with T&ES regarding consolidation of inventory operations.

RPCA will continue to collaborate with T&ES and DGS on consolidation of inventory operations.

UPDATE RESPONSE

[REDACTED]

[REDACTED]

City of Alexandria, Virginia

MEMORANDUM

DATE: JANUARY 21, 2025

TO: ROBERT SNYDER, CHIEF INTERNAL AUDITOR

FROM: SEAN CASEY, SHERIFF CITY OF ALEXANDRIA

SUBJECT: AUDIT RESPONSE TO CITY-WIDE INVENTORY AUDIT

This memo has been prepared to update our department/office's response to the Office of Internal Audit (OIA)'s recommendations.

1. Consider expanding the inventory being reported to the Accounting Division.
Will review and take it under consideration.
2. Formally designate an inventory custodian for the Department and have them sign the Authorization for Fiscal Matters form when issued by the Finance Department.
That is fine. It will be [REDACTED].
3. Explore the deployment of perpetual inventory systems to enhance operations and reduce manpower needed to support the inventory function.
Will explore this, but there will be a fiscal impact.

[REDACTED]

City of Alexandria, Virginia

MEMORANDUM

DATE: JANUARY 19, 2025

TO: ROBERT SNYDER, CHIEF INTERNAL AUDITOR

FROM: ADRIANA CASTAÑEDA, DIRECTOR TRANSPORTATION AND ENVIRONMENTAL SERVICES

SUBJECT: AUDIT RESPONSE TO CITY-WIDE AUDIT OF INVENTORY

This memo has been prepared to update the Department of Transportation & Environmental Services (T&ES) responses to the Office of Internal Audit (OIA)'s recommendations received on December 30, 2024, based on OIA's audit conducted in June 2024.

1. Explore COTS inventory systems and consider adopting and integrating them for both divisions.

UPDATE RESPONSE: T&ES currently utilizes several software systems, including [REDACTED], to track and manage assets. While these systems meet current needs, T&ES acknowledges that exploring Commercial Off-The-Shelf (COTS) inventory systems may offer additional functionality or improved integration across divisions. In May, T&ES began pursuing [REDACTED] and held an initial meeting with the ITS project intake team. Following this, consultations were held with ITS to evaluate the system and determine its feasibility. While [REDACTED] showed potential, ITS recommended prioritizing [REDACTED] instead to avoid redundancy.

Moving forward, T&ES will work collaboratively with ITS and RPCA to implement [REDACTED] as a perpetual inventory system. However, as implementation depends on resources outside the department, T&ES cannot commit to a definitive timeline. The department remains committed to making progress on this recommendation and will provide updates as they become available.

2. Segregate the duties of receiving, ordering, and issuing supplies to ensure that no single employee can perform all functions for Street & Sewer Maintenance, formerly Public Works Division.

UPDATE RESPONSE: Separating duties is essential for maintaining internal controls and accountability. T&ES recognizes this and will address the issue by drafting and implementing a written policy that clearly defines the roles and responsibilities for receiving, ordering, and issuing supplies. This policy will be accompanied by appropriate training and implemented within 90 days. A draft of the policy will be shared with the Office of Internal Audit for review prior to implementation.

<p>In the interim, T&ES will establish compensating controls, including the realignment of the warehouse manager and Public Works Coordinator roles, to ensure duties are appropriately segregated while permanent solutions are being finalized.</p>
<p>3. Create formal policies regarding inventory. The policy should include procedures for the inventory process as well as key controls for both divisions.</p>
<p>UPDATE RESPONSE: T&ES complies with Administrative Regulation 4-4 and conducts annual physical inventories exceeding \$5,000 in value, the department recognizes the need for a more comprehensive inventory policy specific to the department. Building on the framework provided by the Asset Management Objectives Policy (10.2), T&ES will develop and implement a formalized inventory policy that includes procedures for inventory management, reporting, and controls.</p> <p>The new policy will incorporate existing practices such as biannual inspections, annual reporting to the Accounting Division, and the use of software systems, while also addressing key controls to prevent errors and fraud. This policy will align with overarching city regulations and master plans to ensure consistency across divisions. T&ES anticipates finalizing this policy within the next 90 days.</p>
<p>4. Formally designate an inventory custodian for the department and have them sign the authorization for fiscal matter form when issued by the Finance Department for both Departments.</p>
<p>UPDATE RESPONSE: To centralize accountability and ensure compliance with inventory policies, T&ES will designate an inventory custodian responsible for overseeing inventory management and ensuring alignment with city policies. This custodian will coordinate physical inventories, maintain system updates, and liaise with the Finance Department.</p> <p>The designated individual, Public Works Coordinator, will sign the Finance Department's fiscal authorization form as part of the formalization process. T&ES will also integrate this designated process into the new inventory policy, ensuring consistency and clarity. T&ES aims to finalize this modification (designation) within 60 days and provide documentation to the appropriate departments.</p>
<p>5. Consider expanding the inventory being reported to the Accounting Division for Street & Sewer Maintenance.</p>
<p>UPDATE RESPONSE: T&ES acknowledges the importance of expanding inventory reporting to enhance transparency and provide a more accurate financial picture of Street and Sewer assets. While T&ES currently conducts detailed inventories of assets exceeding \$5,000, the department will also include lower-value items and consumables that are critical to operational efficiency.</p> <p>Over the next 90 days, T&ES will conduct a comprehensive inventory of surplus materials within Street & Sewer Maintenance. Results will be reported to the Accounting Division, and any excess inventory will be properly disposed of through the appropriate surplus process. This action plan ensures compliance with the best practices and improves asset management.</p>
<p>6. Explore collaboration with RPCA regarding consolidation of inventory operations</p>

UPDATE RESPONSE: T&ES recognizes the potential benefits of collaborating with RPCA to consolidate inventory operations. Such collaboration could streamline processes, reduce redundancies, and improve resource utilization across departments. T&ES has initiated discussions with RPCA and ITS to align inventory practices, particularly regarding the implementation of Cityworks Storeroom.

Moving forward, T&ES will continue to explore opportunities to integrate inventory systems and processes with RPCA and other departments, leveraging existing expertise and resources. T&ES anticipates conducting a joint review of inventory operations within the next six months to identify specific areas for consolidation and improved efficiency.

[REDACTED]


Thank you

City of Alexandria, Virginia

MEMORANDUM

DATE: JANUARY 17, 2025

TO: ROBERT SNYDER
CHIEF INTERNAL AUDITOR

FROM: TARRICK MCGUIRE 
CHIEF OF POLICE

SUBJECT: RESULTS OF AUDIT OF INVENTORY OPERATIONS (MR25-04.06)

The purpose of this memorandum is to respond to the recommendation from your office after completion of the Audit of Inventory Operations at the Police Department. We appreciate the time and effort your department has taken in conducting the audit. The Police Department respects the findings and will follow your recommendation to designate an inventory custodian. The Division Chief of Fiscal Management will be the formal designee responsible for reviewing and signing the Authorization for Fiscal Matters form. I understand that this will be included in the final report for the City Manager.

Attachment:

Results of Audit of Inventory Operations (MR25-04.06)

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 20, 2025

TO: ROBERT SNYDER, CHIEF INTERNAL AUDITOR

FROM: FELIPE HERNANDEZ, JR., FIRE-EMS CHIEF

SUBJECT: AUDIT RESPONSE TO CITY-WIDE AUDIT OF INVENTORY

This memo has been prepared to update our department/office's response to the Office of Internal Audit (OIA)'s recommendations.

1. Segregate the duties of receiving, ordering, and issuing supplies to ensure that no single employee can perform all functions for Fire Fleet, Bunker, and EMS.

Segregating the ordering, receiving, and issuing responsibilities will require hiring additional employee(s) through the budget development process. AFD will research options to achieve the desired outcomes of the report recommendation, such as: hiring dedicated staff, job-sharing a position for receiving across the functions, or consolidating inventories. Use of restricted duty personnel is not a desired option for this objective as the primary effort for someone on restricted duty is recovery, physical therapy, and work-hardening for return to operational status.

2. Create formal policies regarding inventory. The policy should include procedures for the inventory process as well as key controls for all 3 divisions.

AFD will develop policies and procedures to address inventory management. The new policies and procedures for each inventory stockpile will address the issues raised in the audit report that can be followed realistically given the limitations in resources for storage facilities, staffing, and budget.

■ [REDACTED]

[REDACTED]

<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>
<p>4. Consider expanding the perpetual inventory systems to interface with purchases for Fire Fleet and Fire Bunker.</p>
<p>AFD would gladly participate in a joint venture to interface inventory systems with the City's purchase order system of the enterprise resource planning (ERP) software. Development of such interface(s) will require a project under the oversight, management, and budget of City ITS to evaluate and enhance software security for the ERP; and design, configuration, and implementation of interface tools for each inventory system to communicate with the ERP.</p>
<p>5. Explore Commercial Off the Shelf (COTS) inventory tracking systems for Fire EMS.</p>
<p>AFD will research implementing a software solution for Fire EMS inventory. Options currently available to AFD include, 1) expansion of Property Tracker in use by AFD Bunker; 2) expanding AFD's use of the [REDACTED] to develop the equipment module for inventory management; 3) expanding AFD's use of the [REDACTED] to develop the assets and supplies modules for inventory management; and 4) expanding [REDACTED] inventory system for AFD use.</p>
<p>6. Formally designate an inventory custodian for the department and have them sign the authorization for fiscal matter form when issued by the Finance Department for AFD.</p>
<p>AFD will ensure that employees with inventory responsibilities sign as inventory custodians once the Finance Department updates the Fiscal Matters form to include the inventory custodian responsibilities. Supervisors will provide first level reviews with AFD Fiscal serving as a backup when supervisors are not available.</p>

[REDACTED]

[REDACTED]

[REDACTED]