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To: The Honorable Mary Sue Rich, President of the Council
The Honorable John McLeod, President Pro Tem
The Honorable Suzy Heinbockel
The Honorable Jay Musleh
The Honorable Daniel Owen
The Honorable Kent Guinn, Mayor
Matthew Brower, City Manager

Date: December 17, 2012

Re: External Audit Assistance - Inventory

Internal Audit assists the external financial auditors, Purvis Gray and Company, LLP, with specific audit procedures for the Financial Statement Audit for the Fiscal Year Ending September 30, 2012. We have completed procedures for Inventory. The objective of our procedures was to validate the physical inventory count and valuation of inventory as of September 30, 2012 through observation, perform recounts on a sample testing basis, recalculate extended costs, and assure final inventory values are properly reflected in the City's general ledger.

Internal Audit observed the physical inventories at the Ocala Utilities Services Warehouse (Electric, Telecommunication, and Water & Sewer) and Ocala Municipal Golf Course, which were completed September 26 - 30, 2012. Inventory counting procedures were followed appropriately. Based upon a judgmental sample recount of 70 items, no errors were found.

Based upon our procedures, we conclude that the physical inventory count was accurately performed and the inventory is properly valued in the City's general ledger at $ 6,389,070 as of September 30, 2012.

Through observing the inventory process for FY 2011 and FY 2012 and discussions with everyone involved in the inventory process, we provided management with several suggestions to improve the efficiency and effectiveness of the inventory process for FY 2013. This collaborative proactive effort should allow for immediate identification of count and system variances for research and resolution prior to the end of the physical inventory count and facilitate reconciliation to the general ledger.

We appreciate the assistance of all personnel involved in the physical inventory process, especially Michelle Russell and Anthony Weber, Finance; Joe Noel and Mary St. Laurent, Utilities Services; Stan Creel, Recreation and Parks; and Kandace Clatterbaugh, Golf.

Generally Accepted Government Auditing Standards and the Institute of Internal Auditors Standards require that we plan and perform our audits to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. The evidence obtained provides a reasonable basis for our observations and conclusions.

Jeanne Covington

Jeanne Covington, Internal City Auditor

c: Catherine Cameron, Assistant City Manager – Public Services
Larry Novak, Assistant City Manager – Utility Services
John Lege, Chief Financial Officer
Mary Ann Davis, Controller
Kathy Crile, Director, Public Services – Recreation and Parks
Kandace Clatterbaugh, General Manager, Ocala Golf Club
Jeff Halcomb, Director, Utilities Services – Water & Sewer
Mike Poucher, Director, Utilities Services – Electric and Telecommunications