Find your place

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: November 19, 2013

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, 2013. We have completed procedures for Inventory. We validated the physical inventory count and valuation of inventory as of September 30, 2013 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 27 - 30, 2013. Inventory counting procedures were followed appropriately. We performed a judgmental sample recount of 140 items.

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 $ 5,951,966 as of September 30, 2013.

During the year, several discussions were held with everyone involved in the Ocala Utilities Warehouse inventory process. Warehouse Management implemented several process changes at the warehouse and for the year end physical count. Information Technology and Finance designed Excel spreadsheets for data entry which allowed Management, Finance and Internal Audit to immediately research, resolve and reconcile the physical counts and system data. The final count was imported into the EDEN Inventory System eliminating manual entry. These collaborative efforts improved the efficiency and effectiveness of the entire physical inventory process. Finance, Audit, and IT will continue to work with Utility Services to seek additional efficiencies through full utilization of the Eden inventory system which should further reduce year-end inventory adjustments at the time of the physical count.

We appreciate the assistance of all personnel involved, especially Johnna Agin and Anthony Webber, Finance; Betty Gossett, Information Technology; and Joe Noel and Mary St. Laurent, Utilities Services.

*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: Larry Novak, Assistant City Manager – Utility Services
Diane Reichard, Chief Financial Officer, Assistant City Manager
Sandra Wilson, Assistant City Manager – Support Services
Mary Ann Davis, Finance Director
Winsome Jacobs, Director, Information Technology
Jeff Halcomb, Director, Utilities Services – Water & Sewer
Mike Poucher, Director, Utilities Services – Electric and Telecommunicatior
Joe Noel, Supervisor, Electric Engineering Resource Management