



Status of Central Stores Audit Recommendations

Audit Committee

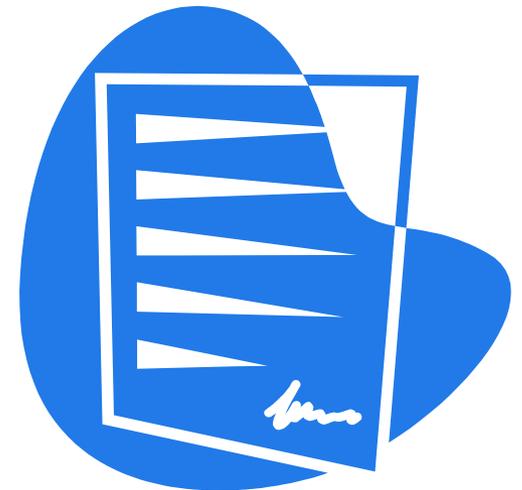
April 11, 2011





Central Stores Inventory Audit 08-010

- Auditor Recommendation #1B: Maintain a file of authorization memos for those departments that permit the same individual to authorize the requisition and receive the goods.



#1B Management Update

- Original recommendation was prior to SAP Materials Management Module implementation.
- Authorizations are now embedded in SAP system controls; no memos needed now
- Departments notified 3/30/11 that full transition to electronic requisitions by 6/1/2011





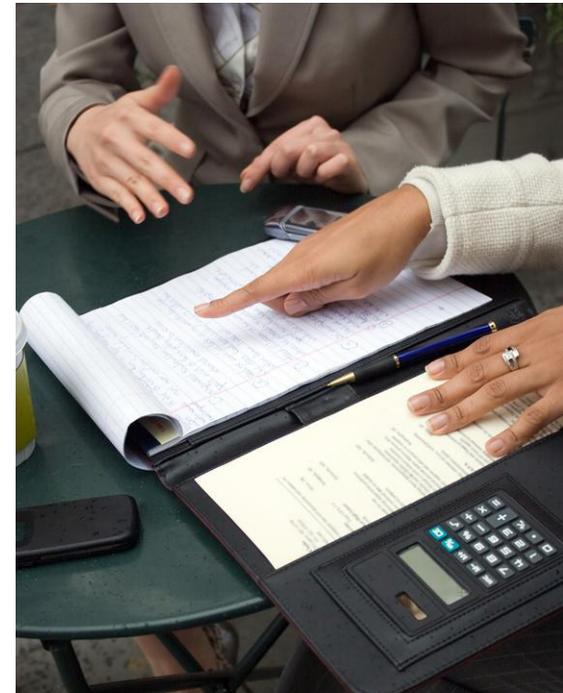
Central Stores Inventory Audit 08-010

- Auditor Recommendation #2B: Ensure surcharge percentage billed to Non-City Agencies is sufficient to recoup all overhead costs and stock purchases incurred by the City.



#2B Management Update

- Study of recovery of overhead costs was completed in January, 2011 and was provided to the Auditor





Central Stores Inventory Audit 08-010

- Auditor Recommendation #3B: For items with pricing discrepancies due to unit of measure or differing brand names, require Central Stores staff to include descriptive notations in the FleetFocus system.



#3B Management Update

- Central Stores now annotates pricing discrepancies on the Daily Purchase Order Receipt Report.
- Completed February 1, 2011





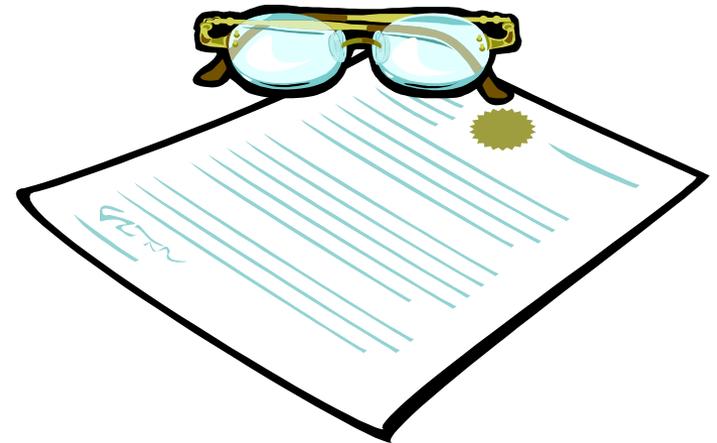
Central Stores Inventory Audit 08-010

- Auditor Recommendation #5: Update the Central Stores' Policy and Procedure Manual
- Original recommendation re: FleetFocus Storeroom Policy and Procedure Manual
- Subsequent recommendation was for storeroom policies and procedures post ERP



#5 Management Update

- Completed FleetFocus Policies and Procedures Manual updates in 2008
- Other post-ERP Manual updates will be completed in April, 2011





Central Stores Inventory Audit 09-023

- Auditor Recommendation #2: Develop a written policy requiring departments to notify Storerooms immediately when there are changes in inventory needs to minimize obsolete inventory. Work with departments to identify an effective procedure for this process.



#2 Management Update

- Administrative Regulation 35.50 was adopted July 1, 2010
- Describes roles and processes for identification and disposition of obsolete or surplus property.

CITY OF SAN DIEGO
ADMINISTRATIVE REGULATION

SUBJECT IDENTIFICATION AND DISPOSITION OF CENTRAL STORES SURPLUS STOCK	Number 35.50	Issue 4	Page 1 of 3
	Effective Date July 1, 2010		



Central Stores Inventory Audit 09-023

- Auditor Recommendation #3: If manual requisitions are used after the implementation of ERP, use internal authorization cards for those employees using manual requisitions to request and receive supplies. If implemented, ensure controls, such as employee names on cards, an annual card expiration date and reports to departments, are put in place to prevent misuse.



#3 Management Update

Departments were notified on 3/30/11 that electronic requisitions in SAP will replace manual ones

Transition to electronic requisitions will be completed by 6/1/2011





Central Stores Inventory Audit 09-023

- Auditor Recommendation #5: Ensure ERP provides accurate inventory reports so Central Stores is able to reconcile beginning to ending inventory and provide this reconciliation to the Comptroller at year end. Ensure ERP provides accurate summary reports related to inventory accounting to Comptroller staff is able to reconcile beginning and ending inventory in the general ledger and ensure the general ledger activity matches inventory activity reports from Central Stores. Comptroller staff should review and document the reasons for any variances between inventory records and accounting records.

#5 Management Update

FY2009 inventory report was provided to
Comptroller in August, 2009 for reconciliation
FY2010 inventory report will be provided to
Comptroller after FY2010 books are closed





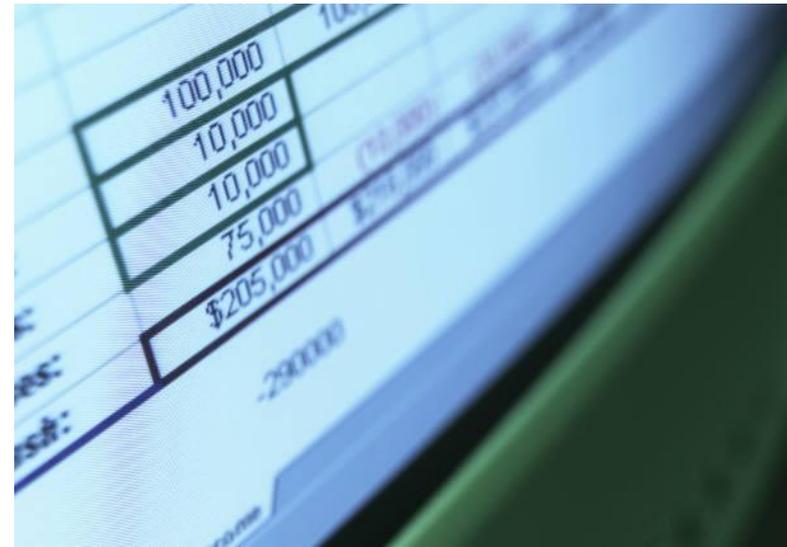
Central Stores Inventory Audit 09-023

- Auditor Recommendation #6: In conjunction with the Comptroller, revise the accounting for storeroom inventory to segregate purchases from city-wide purchases and consider establishing a clearance account for city-wide purchase orders.

#6 Management Update

Purchasing and Contracting is working with Comptroller and ERP to develop the best accounting method in SAP

Comptroller's response on establishing a clearance account by 12/31/2011





Central Stores Inventory Audit 09-023

- Auditor Recommendation #7: Document storeroom policies and controls related to storeroom operational risks. Update storeroom procedures at the implementation of the ERP system



#7 Management Update

Detailed process mapping has been completed for all storeroom transactions

A policies and procedures manual will be completed by 4/15/2011



The City of
San Diego
America's Finest City



Questions?

