



## THE CITY OF SAN DIEGO AUDIT REPORT

Thursday, December 06, 2007

Mario Sierra, Director  
General Services

**SUBJECT: INVENTORY AUDIT**

**PERIOD: FISCAL YEAR 2007**

Each fiscal year, Internal Audit performs an annual inventory count of all items in the storerooms and warehouses as required by the San Diego Municipal Code (SDMC) §22.0501. Due to various organizational changes, specifically, Equipment Division assuming management over the inventory processes for storerooms 3, 43, 88, and 89 beginning in FY 2008, a review of the processes followed by Equipment Division was conducted. We conducted our audit in accordance with Generally Accepted Government Auditing Standards. During this review, we noted the following internal control weakness:

**There are no documented policies and procedures for daily, monthly and yearly inventory management processes and transactions.**

Establishing and maintaining an up to date detailed policy and procedure manual helps to provide a directive for strong internal controls. It is management's responsibility to establish, maintain, and review a sound internal control structure that will help to reduce the risk of asset loss. Additionally, a policy and procedure manual will service as a source of reference for staff as well as a tool to assist in evaluating staff performance.

**Recommendation:**

**Establish written policies and procedures for daily, monthly and yearly inventory management processes and transactions.**



Inventory Audit FY 2007 – General Services  
December 6, 2007  
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Your response to this audit report is attached. I would like to thank you and Equipment Division staff for the assistance we received during our audit. If you have any questions, please contact me.

A handwritten signature in black ink, appearing to read "Kyle Elser". The signature is fluid and cursive, with a long horizontal stroke at the end.

Kyle Elser  
Internal Audit Manager

cc: Honorable Audit Committee Members  
Jay Goldstone, Chief Operating Officer / Acting Chief Financial Officer  
Eduardo Luna, Internal Auditor  
Dave Jarrell, Interim Deputy Chief of Public Works  
Stanley Keller, Independent Oversight Monitor  
Andrea Tevlin, IBA  
John Brown, Assistant Director, General Services Department  
John Alley, Deputy Director, Fleet Services



THE CITY OF SAN DIEGO  
MAYOR JERRY SANDERS

## MEMORANDUM

DATE: December 4, 2007

TO: Kyle Elser, Assistant Internal Auditor, Office of the Auditor and Comptroller

FROM: Mario X. Sierra, Director, General Services Department

SUBJECT: Inventory "Draft" Audit Report Dated October 15, 2007 – Fleet Service Division

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This is in response to the subject Inventory Audit Report for Fiscal Year 2007 (Report). The Report concluded that due to the consolidation of City-wide Fleet Services, there are no documented policies and procedures for daily, monthly and yearly inventory management processes and transactions for storerooms 3, 43, 88 and 89. The recommendation in the report is to "Establish written policies and procedures for daily, monthly and yearly inventory management processes and transactions".

General Service Department is in agreement with the Report and the recommendation. The Fleet Services Division has initiated Division Instruction to establish policies and procedures for daily, monthly and annual inventory management processes and transactions to ensure compliance with all internal controls, checks & balances and audit standards.

John Alley, Fleet Services Deputy Director and his staff is working with Purchasing & Contracts Department and your Internal Audit Office to develop the required policies and procedures. The target date to have the policies and procedures in place is January 2008.

If you have any questions, please call me at 525-8686 or John Alley at 527-6020.

A handwritten signature in black ink, appearing to read "Mario Sierra".

Mario Sierra

cc: Jay Goldstone, Chief Operating Officer  
Andrea Tevlin, Independent Budget Analyst  
Dave Jarrell, Interim Deputy Chief of Public Works  
John Brown, Assistant Director, General Services Department  
John Alley, Deputy Director, Fleet Services