



CITY OF WILMINGTON

IT Equipment Purchases & Inventory

Internal Audit Review

April 5, 2018

City Auditor's Office

Terence J. Williams
City Auditor
(302) 576-2165

Highlights

Why We Did This Audit

The Internal Audit Department (IA) performed a scheduled audit of IT Equipment Purchases & Inventory. The audit was in accordance with the 2018 Internal Audit Plan.

Methodology

The objectives were met by assessing relevant policies and procedures, discussions with City personnel, analysis of non-capital expenditures over a three-year period, observation of physical assets in storage, testing of inventory records, tracing expenses from invoice, into inventory, and through the Procurement disposal process; and reviewing fixed asset and MUNIS records.

Audit Review Committee:

Robert C. Johnson, Chair

Ciro Adams
Marchelle Basnight
Angelique Dennis
Bud Freel
Ronald Pinkett
Tanya Washington

Objective and Scope

As part of our audit plan, we conducted a Performance Audit of Integrated Technologies (IT) Equipment Purchases & Inventory for the period commencing July 1, 2016 through June 30, 2017. Our objective was to determine whether City IT policies and procedures were in place for the purchase, maintenance, and disposal of IT inventory. IA believes that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We conducted our audit in accordance with Generally Accepted Government Auditing Standards ("GAGAS"). These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Each year the IT department is tasked with purchasing all of the computer equipment as well as the communications equipment for the City of Wilmington. Examples are computers, laptops, tablets, hard drives, printers, radios, mobile devices, and other network equipment that would be in support of these items. It is their responsibility to provide the specifications for the equipment that is being purchased as well as the purchase requisition for the procurement of the devices. IT is tasked with storing the equipment, setup of the devices, as well as deploying them into the COW environment. Throughout the subsequent life of the equipment IT maintains records on the location where the units were installed, and the person assigned to that equipment. IT relinquishes the tracking or control of the devices when they are disposed of by the Procurement group.

Key Statistics:

	FY 2017	FY 2015
Other Non-Capital Expenditures	\$263K	\$310K
Telephone Direct Charge	\$756K	\$742K
Mobile Airtime	\$291K	\$314K
Total Yearly Expenditures	\$1.31M	\$1.36M
Validation of IT Inv – Sheet to Floor	70%	
Validation of IT Inv – Floor to Sheet	100%	
Validation of IT Inv to Fixed Assets	0%	
Validation of IT Inv to an Invoice	0%	

What we found

Key Findings

Following are key issues that resulted in a process/area to be risk rated a three or four. See **Attachment A** for the detail of these and all comments identified during the review.

Risk Ranking:		(See Attachment B for full rating definitions)			
Process / Area	Process / Area Owner	1 Strong Controls	2 Controlled Effectively	3 Controlled - Improvement Required	4 Significant Improvement Required
Policies and Procedures	Demand May				√
Business Continuity	Demand May			√	
Inventory Controls	Demand May			√	

Policies and Procedures

1. The IT department does not currently have a comprehensive policy to govern itself. Non-compliance exists with Section 6-102, of the Wilmington Code of Ordinances, as well as Section 2 of the CoW Fixed Assets Manual. A fixed asset, an item with a unit cost in excess of \$5,000 and a life span greater than one year, must by definition be capitalized. During the review of various invoices, it was noted items were expensed that potentially should have been capitalized. In addition to fixed assets, the City Code requires departments to inventory the distribution of stores items. These are defined as items with a value greater than \$100. If this is onerous on the IT group, then steps should be taken to clarify the code.

Business Continuity

2. There is risk for a potential loss in the current IT storage area on the 7th floor. At different times throughout the year, the 7th floor storage facility holds a significant dollar value of computer equipment.

Inventory Controls

3. IT needs to create a comprehensive inventory control plan so that they can effectively monitor the electronic devices deployed by the CoW. Currently the department deploys a group of programs or spreadsheets to control the usage of computer related and communications related equipment. To date the HelpDesk Engineers only track computers and monitors. Other issues include proprietary software being loaded onto the personal property of the interns, no reporting on the usage of the equipment being deployed, and the lack of uniformity of the data being collected for fixed assets, IT inventory, and Procurement.

Additional Comments

Though not specifically addressed under this review, it was noted some computer equipment, i.e. Tablets, were purchased outside the expected IT work flow.

Management Responses to Audit Recommendations

Summary of Management Responses

Recommendation #1: Management should develop a written policies and procedures manual to define inventory reporting and tracking requirements. They should also consider adopting best practices as defined in the Government Finance Officers Association (GFOA) regarding Inventory Management.

Agree

Management response & action plan: Printers will be added to the 2018 inventory which will start during the Summer of 2018 after we hire an Operations Manager. The Operations manager will be responsible for the inventory process and formalizing standards. IT is currently developing a standard operating procedure (SOP) manual that will detail inventory practices and procedures.

Completion Date: October 31, 2018

Recommendation #2: Management needs to understand that when they change the functionality of a room they can potentially put themselves at risk of a loss. As such they need to take assurances they have mitigated any exposure to loss to the best of their ability. In this particular case, verifying the existing water sprinkler system has been tested and functional is a first step. Subsequent steps could include providing FM200 protection to the room or simply relocating the equipment to a better suited location when available.

Agree

Management response & action plan: With the completion of the Data Center on Floor 2 nearing completion, inventory will be shifted to the old storage area which has FM200 suppression enabled.

Completion Date: September 30, 2018

Recommendation #3: Management should consider creating a comprehensive inventory control plan, so they can effectively monitor electronic devices deployed by the CoW. They should formalize all work flow processes by identifying key documents required for the process, as well as memorializing specific employee actions that ensure the success of the process. In addition, they should review data requirements with Procurement and the Fixed Assets Manager, in order to determine the elements necessary for workflow documentation.

Management should consider making the following data fields required:

- Procurement (e.g. Picture, description, vin# / serial number, make, model and size)
- Fixed Assets (e.g. Description, purpose, in-service-date, useful life and value)
- Helpdesk (e.g. Purchase order).

Consideration should also be given to software platforms that would allow Management to unite some or all of the data requirements into a single data base. The uniformity would allow ease of reporting.

ShoreTel's platform is currently being used for the stationary phones. In addition, Management should consider leveraging their relationship with Verizon for this purpose. The primary focus of the consolidation would be to get reporting on key attributes that are an integral part to the success of strategic planning.

Agree

Management response & action plan: During Q4FY18, IT will be moving the inventory data to Microsoft System Center, so that it can more tightly integrate with the PC software and imaging suite. The suggested fields will be added during this timeframe. The helpdesk's receiving and deployment process has been formalized as of February 2018 and is being documented as SOPs.

The Operations Manager will work with Telecom to move their inventory process from paper to an electronic format. The Operations Manager will also be responsible for the transfer of these practices to new employees. There has not been a transition of new interns since the first inventory in Winter 2017.

The only financial records that could not be located were two items prior to the start of the inventory formalization process. Currently all inventory documents are provided to the IT Procurement Specialist after the shipment has been confirmed.

Completion Date: January 31, 2019

Audit Team

Armando Franco, Audit Consultant
Allen G. Egner, Audit Consultant
Tamara Thompson, Audit Manager