

November 15, 2006

**Internal Audit Report 2006-16  
Minor Repair Program Follow-up  
Department of Neighborhoods**

**Introduction.** The Minor Repair Program (Program), administered by the Department of Neighborhoods (Department), provides assistance for items such as roof replacement, heating system replacement, repair of non-functional plumbing, electrical shock hazards, electrical fire safety hazards, and repair or replacement of rotting floors for qualified home owners. The Department utilizes Community Development Block Grant (CDBG) funds for the Program, with a limit of \$15,000 per residence. According to Program management, \$334,115 of CDBG funds were expended in 2005. For calendar year 2005, the Department reported that it had completed 15 minor repair projects and had 21 projects in progress. At the time of this audit, the Department reported it had a backlog of 162 minor repair projects.

**Objective and Scope.** The objective of this audit was to determine whether the deficiencies related to the administration of the Minor Repair Program identified in our prior Internal Audit Report 2004-14 had been corrected. Our audit included an evaluation of the Program's efficiency, policies and procedures, material and tool inventories.

The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed during the period of July through August 2006. The audit was requested by the Municipal Assembly.

**Overall Evaluation.** The Department has made significant improvements in the administration of the Program. However, the materials inventory system needs strengthening and most tools and

equipment had not been entered in the Municipal fixed asset records. Our audit report in 2004 addressed five findings. In our follow-up audit, we found that all but one finding from the prior audit have been corrected.

## FINDINGS AND RECOMMENDATIONS

### 1. Materials Inventory System Needs Strengthening.

- a. **Finding.** The inventory process used to track materials needs strengthening. For example, there was no inventory listing of surplus materials unused from prior projects. In addition, materials left over from Program projects were scattered throughout the warehouse in different stacks, without proper identification. Without proper accountability and controls, items may be lost without detection and staff may purchase materials that are already in stock. **A similar condition was reported in Internal Audit Report 2004-14, Finding 4.**
- b. **Recommendation.** Procedures should be developed to store and account for materials left over from Program projects.
- c. **Management Comments.** Management concurred and stated, “Management has developed a system to list the materials that are surplus for individual Minor Repair jobs so that they may be used on future jobs. This list may then be tracked on the monthly inventory. Management has also developed a system to allow staff to charge the Weatherization Program for Minor Repair surplus material that may be used on Weatherization jobs. The volume of material that results as surplus from Minor Repair jobs is relatively small, so at this time, the inventory is in the form of an excel spreadsheet. This system has been implemented. In the future, if a larger Minor Repair inventory is developed, a database may be developed to function similar to that which is used in the Weatherization program.”

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

2. **Tools and Equipment Not Entered in Municipal Fixed Asset Records.**

- a. **Finding.** Most tools and equipment valued at \$100 or more had not been entered in the Municipal fixed asset records. The only items that had been entered were three recent purchases of a forklift, flatbed trailer, and scaffolding. Items not entered included three trucks and 25 assorted power tools and ladders. Municipal Policy and Procedure (P&P) 24-13, *Fixed Asset and Infrastructure Accountability*, states that the Department is responsible for safeguarding, inventorying, and accounting for fixed assets with a value greater than \$100 and an expected useful life exceeding one year. Further, P&P 24-13.7.b states that “Fixed Asset Records will be updated with all purchases, donations, disposals and transfers of fixed assets in the fiscal quarter when the activity occurs.”
- b. **Recommendation.** The Program’s tools and equipment should be entered in the Municipal fixed asset records in accordance with P&P 24-13.
- c. **Management Comments.** Management concurred and stated, “This finding was a surprise as it was not discussed during the October 2 meeting with Internal Audit, and because our Department’s excel-based inventory lists all Minor Repair tools, including information on the Municipal fixed asset tag numbers for each valued at \$100 or more. These items have been entered into the Municipal Fixed Asset System in People Soft.

“However, we agree that if one queries the People Soft system, not all these items come up. We spot-checked some of the tag numbers we have assigned individually in the Municipal People-Soft fixed asset system, and found them without any

problem. However, when we ran a query based on one of our major Department ID numbers to get the full list of tags in one query, nothing came up. By the end of this quarter, our accountant who performs annual municipal asset inventories in November, will follow up to resolve why these items which have been entered into the Municipal Fixed Asset system, and are included on our internal inventory list, are not appearing on the People Soft Query by Department ID. In the mean time, we will continue to use our internal inventory list which has sufficient information to safeguarding, inventorying, and accounting for our fixed assets with a value in excess of \$100.00. We appreciate Internal Audit bringing this to our attention and we will work with the People Soft staff to ensure the query works correctly in the future.”

- d. **Evaluation of Management Comments.** Management comments were partially responsive to the audit finding and recommendation. We agree with the Department that its Excel-based inventory lists all Minor Repair tools, including information regarding the Municipal fixed asset tag numbers. However, after researching all 25 of the fixed asset tag numbers, PeopleSoft records show that all of the assets were retired in January 2005. Consequently, even though these power tools and ladders are still in use, they no longer are listed on the Municipality’s fixed asset records.

**Discussion With Responsible Officials.** The results of this audit were discussed with appropriate Municipal officials on October 2, 2006.

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