FINAL REPORT

A Report to the
Audit Committee

Mayor
Freddie O'Connell

General Services Director
Gerald Smith

Audit Committee Members
Burkley Allen
Tom Bates
Kevin Crumbo
Angie Henderson
Courtney Johnston
Matthew Scanlan

Recommendations Follow-Up – Audit of Surplus Property Distribution

January 10, 2025

Metropolitan
Nashville
Office of
Internal Audit

EXECUTIVE SUMMARY
January 10, 2025

Audit Recommendations Follow-Up – Audit of Surplus Property Distribution

Why We Did This Audit

To evaluate management's implementation of previous audit recommendations as of November 8, 2024.

What We Recommend

There are no recommendations as management successfully implemented the initial audit recommendations.

BACKGROUND

On October 5, 2023, the Office of Internal Audit issued the Audit of Surplus Property Distribution. The audit report included five recommendations. All five recommendations were accepted by management for implementation. The Office of Internal Audit guidelines require monitoring and follow-up to ensure that the recommendations assessed as high or medium risk are appropriately considered, effectively implemented, and yield intended results.

OBJECTIVES AND SCOPE

The objectives of this follow-up audit were to determine if the recommended actions or an acceptable alternative were implemented.

The scope of the follow-up audit included five accepted recommendations that management reported as implemented.

WHAT WE FOUND

Of the five recommendations, all were fully implemented. Details of the implementation statuses can be seen in **Appendix A**.

AUDIT FOLLOW-UP RESULTS

The initial audit report encompassed all activity of the Surplus Property Division between February 1, 2021, and January 31, 2023. The audit report included five recommendations. All five recommendations were accepted by management for implementation.

The Office of Internal Audit will close a recommendation only for one of the following reasons:

- The recommendation was effectively implemented.
- An alternative action was taken that achieved the intended results.
- Circumstances have so changed that the recommendation is no longer valid.
- The recommendation was not implemented despite the use of all feasible strategies or due to lack of resources. When a recommendation is closed for these reasons, a judgment is made on whether the objectives are significant enough to be pursued later in another assignment.

The scope of the follow-up audit included the five accepted recommendations that management reported as implemented. Of the five accepted recommendations, all recommendations were fully implemented. Details of the implementation statuses and updated implementation dates, if applicable, can be seen in **Appendix A.**

METHODOLOGY

To achieve the audit objectives, auditors performed the following steps:

- Interviewed management regarding implementation efforts.
- Examined quarterly inventory records from February 2024 through November 2024.
- Examined documented evidence regarding the consideration of an automated inventory management system.
- Examined newly created procedures.
- Examined authorized inventory removal records.
- Examined marketing materials and observed the marketing banner.
- Evaluated internal controls currently in place.
- Considered risk of fraud, waste, and abuse and information technology risks.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those 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. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

AUDIT TEAM

Jim Carson, CIA, CFE, In-Charge Auditor

Lauren Riley, CPA, CIA, CFE, ACDA, CMFO, Metropolitan Auditor

APPENDIX A – PRIOR RECOMMENDATIONS AND IMPLEMENTATION STATUS

The following table shows the guidelines followed to determine the status of implementation.

Table 1

Recommendation Implementation Status	
Implemented / Closed	The department or agency provided sufficient and appropriate evidence to support the implementation of all elements of the recommendation and the recommendation's implementation caused or significantly influenced the benefits achieved.
Partially Implemented / Open	The department or agency provided some evidence to support implementation progress but not of all elements of the recommendation were implemented.
Not Implemented / No Longer Applicable	The department or agency did not implement a recommendation because: a) of lack of resources; b) an alternative action was taken that achieved the intended results; c) circumstances have so changed that the recommendation is no longer valid.

The following are the audit recommendations made in the original audit report dated October 5, 2023, and the current implementation status of each recommendation based on our review of information and documents provided by management of the Surplus Property Distribution office.

Recommendation	Implementation Actions	Outstanding Issues	Implementation Status
A.1 – Perform a periodic inventory of surplus property. This could be accomplished by performing a full inventory periodically, smaller cycle counts throughout the year, or performing periodic inventory counts when inventory sits for a certain period and becomes stale. **Assessed Risk Level: High**	Procedures were established and quarterly inventories were performed. Procedures were reviewed and supporting documentation for four quarterly inventories were reviewed. Inventories were comprised of 50 randomly selected items.	None	**Implemented / Closed**
B.1 - Perform a cost-benefit analysis related to the implementation of an inventory management system. **Assessed Risk Level: Medium**	An analysis was performed with a decision not to procure a system. Emails and meeting summarizations between General Services and ITS were reviewed. A decision was made not to pursue a new inventory system due to interface issues, redundant data entry, and high cost for a small inventory.	None	**Implemented / Closed**

APPENDIX A – PRIOR RECOMMENDATIONS AND IMPLEMENTATION STATUS

Recommendation	Implementation Actions	Outstanding Issues	Implementation Status
C.1 - Develop and implement procedures to ensure timely return of all surplus property to applicable departments. **Assessed Risk Level: Medium**	Procedures were developed and implemented. The "Return of No-Sale Items" standard operating procedure was examined and determined to meet the recommendation.	None	**Implemented / Closed**
C.2 - Coordinate with the applicable departments to return all items currently sitting in inventory awaiting return. **Assessed Risk Level: Medium**	All items were returned including being signed for by the receiving departments. A review of "Court Ordered Items – Returned" listings noted the items sitting in inventory during the audit were removed and returned in December 2023.	None	**Implemented / Closed**
D.1 - Develop an advertising plan either internally or utilizing the GovDeals opportunities. **Assessed Risk Level: Low**	An advertising plan was implemented. Emails, business cards, and an advertising banner were reviewed to note utilization of advertising opportunities.	None	**Implemented / Closed**

APPENDIX A – PRIOR RECOMMENDATIONS AND IMPLEMENTATION STATUS

Metropolitan Government
of Nashville and Davidson County

Freddie O'Connell, Mayor
Gerald C. Smith, Director

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January 3,2025

Ms. Lauren Riley
Metropolitan Auditor
Office of Internal Audit
150 2nd Ave N, Suite 220
Nashville, TN 37219

RE: Audit of Surplus Property Distribution

Dear Ms. Riley,

Thank you for the opportunity to review the *Audit Recommendations Follow-Up – Audit of Surplus Property Distribution* report. We are in agreement that all audit recommendations from the October 2023 are now implemented/closed.

We appreciate the professionalism and diligence of the Internal Audit team throughout the audit and follow-up process.

Respectfully,

Gerald Smith
Gerald C. Smith, Director
Department of General Services