



# AUDIT HIGHLIGHTS

## Miscellaneous Expenses

March 9, 2018

Audit Report No. 1805

### WHY WE DID THIS AUDIT

This audit of *Miscellaneous Expenses* was included on the City Council-approved FY 2017/18 Audit Plan. The audit's objective was to evaluate management controls over and documentation for selected commodities expenses. After preliminary analysis, we narrowed the audit scope to focus on Small Tools & Equipment and Office Supplies accounts.

### BACKGROUND

Small tools and equipment and office supplies usually make up a small percentage of a department's total budget, but due to their nature, these items are more susceptible to loss or personal use.

In FY 2016/17, expenses in the Small Tools & Equipment account totaled about \$500,000. Small tools and equipment are defined in the general ledger Chart of Accounts as those costing less than \$10,000 that are subject to loss and/or have an expected life of less than one year.

In FY 2016/17, Office Supplies expenses totaled \$398,000. Expenses in this account have generally been decreasing since FY 2013/14's high of almost \$463,000.

### City Auditor's Office

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### WHAT WE FOUND

#### **Management control over Small Tools & Equipment purchases can be improved.**

- The selected Small Tools & Equipment items were inconsistently labeled as City of Scottsdale property and were not being inventoried.
- Nearly 20% of the costs were for purchases that should be coded to other accounts.

#### **Office supply costs and the related contract can be better managed.**

- There is no evidence that an analysis was done prior to selecting the current office supply contract. Further, contract pricing has not been monitored.
- The per-employee cost of office supplies varies widely throughout the City, and departments spent \$153,000 on printer toner over a 2-year period despite having a printer contract that provides toner.
- Use of an Amazon.com business account has not been evaluated.

### WHAT WE RECOMMEND

We recommend the City Manager:

- Work with the City Treasurer to move the non-capital asset requirement to a more appropriate Administrative Regulation. Further, departments should label these items as City property and comply with the existing requirement to periodically inventory high-risk non-capital items.
- Request the City Treasurer's Accounting department to help staff distinguish between Small Tools & Equipment commodities, capital assets and supply expenditure categories.
- Direct the Purchasing department to analyze office supplies contract alternatives, request the quarterly price lists and Pricing Compliance Reports and spot check pricing.
- Direct Budget to include per-employee cost analysis when reviewing office supply budgets.

### MANAGEMENT RESPONSE

Management agreed with the findings and will implement the recommendations.