



**Internal Audit of City Inventory Processes
298-RFP-IntAuditInventory-25
Addendum 1**

City of Asheville
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PROPOSALS DUE BY: Friday, March 14, 2025 AT 5:00 p.m.

ADDENDUM No. 1

Issue Date: March 7, 2025

Project Name: Internal Audit of City Inventory Processes

Project Number: 298-RFP-IntAuditInventory-25

TO: Prospective Applicants

This addendum forms a part of the Request for Proposals and modifies the original Proposal 298-RFP-IntAuditInventory-25 only to the extent specifically noted below and to address questions received. Failure to acknowledge this addendum in the submittal may subject the proposal to be deemed non-responsive.

This Addendum is posted on the City procurement website at www.ashevillenc.gov/bids. This is *the official source* of this addendum. All addenda and attachments shall be published to the same location.

This Addendum consists of 6 pages in total.

This Addendum is to address Responses to Questions.

Answers to Questions

1. Item 1 within the Scope of Work requires an analysis of the current size and value of each department's inventory.
 - a. Please verify that this is each department's Consumable Items and not its Capital Assets
Yes, inventory refers to each department's consumable items rather than capital assets. Examples include vehicle parts kept on hand in the Fleet Management stock room for quick repair service on various vehicles.
 - b. Will the selected firm need to perform an up-to-date inventory for each department's consumable items and analyze that or has a recent inventory of these consumables been performed and this exercise (Item 1) will be an analysis of that recently-performed inventory?
The selected firm may need to verify up-to-date inventory for each department's consumable items. Each department completes a year-end inventory count that is verified by the Finance Department. Inventory records as of June 30, 2024 are available for the three operations.
2. Are you able to provide an approximate number of assets/items within each department that will need to be analyzed?
Yes, approximate numbers of assets/items within each department that will need to be analyzed are noted below. Full lists of inventory (as available) will be provided to the selected firm as well.
 - *Water Resources Warehouse: 60,000*

- *Fleet Management: 10,000*
 - *Harrah's Cherokee Center - Asheville: 87,000*
3. What are the types of the inventory to be audited? Are they equipment, parts, or consumables?
For this audit, inventory refers to each department's consumable items rather than capital assets. The Water Resources warehouse keeps parts and equipment necessary to maintain and repair the extensive infrastructure of the water production plants and system, as well as equipment to conduct this work such as safety supplies, PPE, and traffic closure equipment.
Fleet Management keeps parts on hand that are used most often to repair the City's fleet of 1,300 vehicles and equipment, such as batteries, brakes, chains, chemicals, fluids, hoses, lights, and wipers.
Harrah's Cherokee Center is an entertainment venue and thus keeps liquor, beer kegs and cans, wine, frozen food items, nonalcoholic beverages, dry storage items for serving food and drink, candy, and snacks.
 4. As part of the current state evaluation is there an expectation that the procedures will include reperformance of physical inventory counts?
No, there is not an expectation that the project will include reperformance of physical inventory counts. The selected firm may need to verify up-to-date inventory for each department's consumable items. Each department completes a year-end inventory count that is verified by the Finance Department. conducts an annual inventory of each applicable department. Inventory records as of June 30, 2024 are available for the three operations.
 5. Is a risk assessment over the inventory process an expected deliverable?
Yes – while a separate risk assessment deliverable may not be necessary, we do expect the deliverable(s) to outline risks associated with the City's inventory processes at each operation and best practices to minimize those risks.

Background and Purpose

1. What motivated the City to perform this inventory process audit? Were there specific problems or issues identified related to inventory processes at these operations?
The City was motivated to perform this inventory process audit due to recommendations in a risk assessment performed in 2023. There have also been larger than normal variances between the inventory system of record and the general ledger account at year-end. Inventory as a whole was flagged as a potential area of exposure to risk due to the volume of items kept on hand in inventory at these operations; the security of facilities; and the value of the inventory.
2. Does the City have its own internal audit department? If not, do you work with a primary outsourced internal audit firm? If so, why is this project being solicited separately?
While the City has its own internal audit program, it functions as a co-sourced model wherein the Internal Audit Program Manager liaises between the City operations being

audited and the contractor(s) performing the audits. The City began using this model in 2024 due to the Internal Auditor position being vacant for several years and recruitment issues to fill the position. The City contracted with one firm for 2024 and chose not to renew that contract for 2025. Thus, this engagement is being solicited separately before a new long-term auditor contract is started.

3. Was this project included in the City's annual audit plan?
No, this project was not included in the City's annual audit plan due to the aforementioned turnover with internal audit providers.

Project Support and Budget

1. Would the project manager be able to provide time to support the project to help manage costs within the budgeted amount? If yes, what level of commitment (estimated hours) would be available?
Yes, the project manager's primary responsibility is to support internal audit providers. While the project manager is also engaged on an internal process optimization project, supporting the inventory audit will take precedence until the audit's conclusion.
2. If our estimate of fees and out-of-pocket costs exceeds the budgeted amount of \$29,999, would this exclude us from consideration for the award?
No, not necessarily. There may be ways to adjust the project scope or approach to fit the budget.
3. Are the budgeted fees inclusive of travel that would be required for site visits?
Yes.
4. Is there flexibility to focus the audit on highest-risk areas if a comprehensive review of all areas exceeds the budget constraints?
Yes, and determination of the highest-risk areas could be informed by the selected provider's evaluation.
5. Is there flexibility to conduct concurrent fieldwork at multiple locations to maximize efficiency, rather than following the sequential schedule outlined in the RFP?
Yes, definitely. The sequential schedule was meant as a suggestion and to best accommodate the internal schedules of the selected operations.

Inventory Details by Location

1. What types of inventories are maintained at each of the three operations?
The Water Resources warehouse keeps parts and equipment necessary to maintain and repair the extensive infrastructure of the water production plants and system, as well as equipment to conduct this work such as safety supplies, PPE, and traffic closure equipment.
Fleet Management keeps parts on hand that are used most often to repair the City's fleet of 1,300 vehicles and equipment, such as batteries, brakes, chains, chemicals, fluids, hoses, lights, and wipers.

Harrah's Cherokee Center is an entertainment venue and thus keeps liquor, beer kegs and cans, wine, frozen food items, nonalcoholic beverages, dry storage items for serving food and drink, candy, and snacks.

2. What is the approximate amount (number of items and dollar value) of inventory at each operation?

Yes, approximate numbers and dollar values of assets/items within each department that will need to be analyzed are noted below. Full lists of inventory (as available) will be provided to the selected firm as well.

- *Water Resources Warehouse: 60,000 items, \$2.674 million*
- *Fleet Management: 10,000 items, \$460,000*
- *Harrah's Cherokee Center - Asheville: 87,000 items, \$100,000*

3. When was the last inventory count conducted at each location?

While each operation's staff may conduct occasional internal inventory counts, a full inventory count is performed at the close of each fiscal year and the Finance Department performs sample counts. These official counts date to June 30, 2024.

Staffing and Management

1. How many staff members handle inventory at each location?

- *Water Resources Warehouse: 3 staff (Warehouse Coordinator and two Inventory Specialists)*
- *Fleet Management: 6 staff (Fleet Manager, Project Manager, Fleet Shop Supervisor, Stockroom Supervisor, Inventory Specialist, Financial Specialist)*
- *Harrah's Cherokee Center - Asheville: 7 staff (Assistant General Manager for Finance & Administration, Food & Beverage Manager, Assistant F&B Manager, Inventory Specialist, 3 temp/seasonal employees)*

2. What is the reporting structure for inventory management at each location?

- *Water Resources Warehouse: The inventory specialists report to the Warehouse Coordinator, who reports to the Assistant Director of the Water Resources Department.*
- *Fleet Management: The Inventory Specialist reports to the Stockroom Supervisor, but all the other named staff report directly to the Fleet Manager.*
- *Harrah's Cherokee Center - Asheville: The Assistant F&B Manager, Inventory Specialist, and temp/seasonal employees report to the Food & Beverage Manager, who reports to the Assistant General Manager for Finance & Administration.*

3. Who currently oversees inventory control at each location?

- *Water Resources: Warehouse Coordinator*
- *Fleet Management: Stockroom Supervisor, with support from the Fleet Manager*
- *Harrah's Cherokee Center - Asheville: Food & Beverage Manager*

Systems and Processes

1. Are there any known limitations or issues with the inventory systems used by each area (Cityworks, Fleetio, and ByPass POS)?
There are no known limitations or issues with Cityworks or ByPass POS. With Fleetio, it is only possible to do an inventory count at a specific point in time, but not going back in time. We have set the system to run automatic inventory reports at the end of each month beginning in February 2025.
2. How are these inventory systems integrated with the City's Munis ERP system?
These inventory systems are not currently integrated with the City's Munis ERP system.
3. Is there existing workflow documentation for the inventory processes?
No, there is not an existing workflow documentation for the inventory processes.
4. Are there written policies and procedures for each inventory operation?
*Water Resources has several documented SOPs covering key processes such as Issuing and Receiving, Defective Parts Handling, Material Requests, and other daily warehouse operations.
There are not currently written policies or procedures for the Fleet Management or Harrah's Cherokee Center operations.*

Scope Clarification

1. Based on our review of the City's ACFR, we noted that the ABC Board has substantially more inventory than the entities included in this proposal. Was that component unit purposely excluded from this project?
The ABC Board is a discretely presented component unit, therefore the board oversees its own financial records and produces their own ACFR.

Relevant Links

[Asheville Business Inclusion Video](#) - important guidance for completing ABI forms in RFP response

[Recording of Optional Pre-Proposal Meeting](#) held on March 4, 2025

I understand that failure to acknowledge any addenda may cause this bid/proposal to be deemed non-responsive.

Authorized Signature

Company

Date

- End -