

# MIAMIBEACH

BUDGET AND PERFORMANCE IMPROVEMENT  
Internal Audit Division

## INTERNAL AUDIT REPORT

TO: Jimmy L. Morales, City Manager   
VIA: Cintya G. Ramos, Budget and Performance Improvement Director   
FROM: James J. Sutter, Internal Auditor 

DATE: June 10, 2016  
AUDIT: Public Works Department's Warehouse Inventory Audit  
PERIOD: Fiscal Year Ended September 30, 2015

This report is the result of a regularly scheduled audit of the Public Works Department's warehouse inventory procedures, practices and valuation as of September 30, 2015, performed in conjunction with the external auditor's annual financial audit of the City.

### INTRODUCTION

The Public Works Department's warehouse located at 451 Dade Boulevard supplies materials to all phases of Public Works operations (Water, Sewer, Storm Water, Engineering, Environmental, Streets and Streetlights). These materials are received for and issued to the various divisions where they are either charged to specifically assigned job orders or individual vehicles.

As part of the inventory monitoring process, job order numbers are created to track the cost of labor, materials and equipment used in projects performed by the Public Works Department; to allow the department to know the cost of the projects; and to recover the cost of repair or replacement of City property damaged by or caused by an outside party. Small materials and equipment that are not job specific are charged to the individual truck numbers where the crew is assigned for such personal items as tools, raincoats, etc. to record disbursement at no charge. These items cannot be charged to a specific job and their issuance can be monitored by warehouse personnel to help ensure that departmental employees are not being careless with City property.

Received parts are accepted by warehouse staff and compared to the packing slip for completeness. The charged prices are also checked against those quoted to confirm their agreement. Once approved, the inventory is accepted, entered into the CityWorks Storeroom module (CityWorks) and is paid through normal procurement channels. This infrastructure management software was implemented by Public Works on April 1, 2006 following authorization received via the adoption of City Commission Resolution No. 2006-26231.

Parts issued to authorized personnel are recorded on a CityWorks generated form which is then signed by the appropriate parties. Among other information, these forms contain the date, job order number, part number, quantity needed, part description, job location and issuer name. The unit cost assigned to each item is based on the CityWorks' calculated weighted average cost which factors in each made purchase of the item since 1984.

The City Commission's passage of Resolution No. 2012-27947 on July 18, 2012 authorized Public Works to purchase a mobile inventory management system from Motorola Solutions Inc.

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Additionally, Miles Technologies INVision Software is used to interface the Motorola's handheld mobile computers to CityWorks by bringing the data entry device and bar coding to the location of the materials which helps eliminate the usage of the MX-1 form and its subsequent entry by warehouse staff into CityWorks. Although INVision was implemented in April 2014, some transitional shortcomings are still being resolved as bar coding cannot yet be used for processing received parts or to facilitate the physical inventory counts.

In addition to material receipt, storage and distribution, the warehouse occasionally orders, maintains and supplies parts to outside contractors in support of other City capital projects. This may occur in instances where either the outside contractor damages City materials during his work (the contractor pays for materials ordered through a special budget code and work order), or when the City agrees to supply the materials and the contractor provides the labor (the City pays for both the materials and the labor).

Warehouse personnel currently consist of a Warehouse Supervisor, a Storekeeper II, a Buyer and an Administrative Aide I with additional assistance received from a temporary contracted laborer. These personnel also interact with the Procurement Division, Finance Department, and vendors in the purchase and delivery of goods, inventory issuances and payments.

A majority of the inventory is stored inside the Public Works Department's warehouse at 451 Dade Boulevard. It is the department's largest and most secure facility as it is safeguarded by cameras and locked alarmed doors. Other inventory storage locations on the property also protected by cameras include the following:

- Yard 1 - A secure fenced area with a covered roof located directly south of the warehouse at the bottom of the loading dock ramp used to safeguard such larger, frequently issued items as selected clamps, valves, glands, etc.
- Yard 2 - A secure fenced area located south of Yard 1 behind the water tanks bordering Miami Beach Senior High School. The items stored in this area consist primarily of light poles, hydrants, pipe, offsets, and caps.
- Central Yard Area - City vehicles as well as assorted equipment and inventory (sand, rock, sod, smaller pipes, etc.) are stored here.

Meanwhile, larger slower moving inventory was transferred to separate fenced facilities located at 75<sup>th</sup> Street and Dickens Avenue and 81<sup>st</sup> Street and Hawthorne Avenue. Examples of inventory stored in these facilities are pipes, bends, sleeves, crosses, offsets, light poles and concrete bases.

A full physical count is performed at the end of each fiscal year by designated Public Works Department personnel. Internal Audit subsequently conducts random test counts to verify the accuracy of these counts, with any noted differences re-counted with an assigned staff member until a consensus is reached as to the correct total. Once the final count is agreed upon, staff records the quantity on hand figures accordingly in CityWorks. Upon completion of all needed entries, a new fiscal year end value is calculated through the generation of a system report. Finally, this total value is forwarded to the City's Finance Department which prepares a journal entry to adjust the applicable general ledger inventory balances.

The Public Works Department's warehouse inventory was valued at the following rounded amounts for the five most recent fiscal years:

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9/30/2011	9/30/2012	9/30/2013	9/30/2014	9/30/2015
\$2,436,374	\$2,120,551	\$1,899,775	\$2,023,836	\$2,315,686

This 2014/15 fiscal year ending inventory of \$2,315,686 was 14.42% higher than the previous fiscal year's total due primarily to the need to restore previously low inventory levels to more acceptable levels according to warehouse management. Internal Audit conducted test counts of 192 part numbers totaling 14,610.60 items with a cumulative value of \$759,458.23 or 32.80% of the current inventory value.

**OVERALL OPINION**

Based upon the results of the test counts and the furnished inventory reports, Internal Audit recommends that the valuation of \$2,315,686.13 be used as the September 30, 2015 inventory value. The annual physical inventory was conducted effectively with the corresponding valuation deemed reasonable. In conducting our physical test counts and reviewing the implemented internal controls, we identified the following areas that are in need of improvement:

- Monthly journal entries for inventory adjustment (number 005) were not necessarily accurately or timely calculated resulting in misstated general ledger account balances.
- A comparison of the CityWorks Storeroom module's (CityWorks) book counts with Internal Audit's verified sampled physical counts identified 34 differences totaling a net of \$10,818.52 which at 17.71% (34/192) continues to be above the desired maximum internal goal of 10.00%. Contributing factors to this overage include the occasional input errors resulting from non-systematically assigned part numbers, non-uniform parts' measurement units, etc.
- CityWorks and INVision Software System shortcomings need to be addressed to better satisfy the warehouse's operational needs.
- Inventoried parts were not reviewed for obsolescence prior to the start of inventory which could result in a misstated fiscal year end valuation. Also, previously charged out parts that were returned after extensive usage are scattered throughout the warehouse yard and may be able to be disposed of.
- Shortcomings in the camera system protecting the City's assets stored at 451 Dade Boulevard were noted.
- Security deficiencies are identified that could allow unsupervised and/or unauthorized access to City assets thereby increasing the likelihood that they could be damaged or misappropriated.
- Warehouse standard operating procedures did not sufficiently depict current warehouse operations.

## PURPOSE

The purpose of this audit is to determine whether the Public Works Department's warehouse inventory is sufficiently counted, valued and recorded; properly safeguarded from theft and breakage; and that tested entries are correctly recorded in the City's Financial System.

## SCOPE

1. Confirm that documented standard operating procedures exist that are followed to help ensure efficient and effective administration of the warehouse.
2. Confirm that tested inventory items are stored in an orderly manner, are clearly labeled, are properly safeguarded and are reasonably valued.
3. Confirm that the physical inventory was performed in an efficient, effective and timely manner with sufficient personnel and adequate procedures to ensure an accurate count.
4. Confirm by test counts that the final inventory report accurately reflects the final inventory valuation and that this information is correctly reported in the City's Financial System.

## FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Finding – *Journal Entry Number 005's Monthly Entries were not Necessarily Accurately or Timely Calculated Resulting in Misstated General Ledger Account Balances*  
Prior to December 1, 2012, general ledger account number 191-4400-000481 (Inventory Purchase MX Stock) was debited and the MX Stock pooled cash account credited when the warehouse purchased inventory by City check through purchase orders and Requests for Direct Payment. The monies were subsequently reclassified or assigned to the appropriate divisions as designated by warehouse personnel in the CityWorks Storeroom module (CityWorks) when the inventories were issued or charged out with the corresponding pooled cash accounts also adjusted. These adjustments were done via monthly journal entry number 005 by the Finance Department based upon data received from the CityWorks generated Warehouse Issue Report Summary.

These reclassification entries were needed because warehouse personnel do not necessarily know who will ultimately use the inventory at the time of purchase as some parts may be used by a number of different divisions at a later date (bolts, screws, etc.). Therefore, this Inventory Purchase MX Stock account was continually decreasing as parts were issued until the balance was so low that the account needs to be replenished.

In summary, this accounting process was changed effective December 1, 2012 to as follows:

- Parts purchased after December 1, 2012 were to be distinctly labeled as such by warehouse personnel upon receipt of the goods. Instead of debiting the Inventory Purchase MX Stock account at this time, the appropriate Public Works

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divisional general ledger accounts projected to use these goods were now to be debited.

- Parts continue to be given out to departmental staff and contractors as needed. Warehouse personnel are to intentionally dole out all non-labeled parts available first before providing the more recently purchased labeled parts.
- All issued parts that were purchased after December 1, 2012 were to be noted on the departmental MX-1 form in effect until May 2014 when bar coding was implemented.
- The Warehouse Issue Report Summary cannot distinguish between issued parts that were purchased prior to December 1, 2012 and those that were not. If no adjustments were made, the issuance of parts purchased after December 1, 2012 would be recorded twice in the City's Financial System (once at the time of purchase and again at the time of issuance). Consequently, the Warehouse Supervisor has to review all the parts issuances and remove any of these more recently purchased items from the subsequent journal entry.

Additional adjustments may be needed for any post December 1, 2012 purchased inventory that was eventually used by a different division than the one projected at the time of the purchase. An Excel spreadsheet was to be prepared monthly totaling the needed adjustments by the applicable general ledger account numbers.

- This Excel spreadsheet along with the Warehouse Issue Report Summary is to be timely sent to the Finance Department so that monthly journal entry number 005 could be completed.
- The Warehouse Supervisor is to maintain all the supporting documentation (MX-1 forms, packing slips, etc.) that could be provided if requested as they were not sent monthly to the Finance Department due to their large volume.

The Warehouse Supervisor implemented these changes and began submitting the corresponding voluminous monthly journal entries to the Finance Department. However, the date that the charged out item was actually purchased (prior or after December 1, 2012) could not be indicated through the bar coding as it was on the previously manually prepared MX-1 forms.

As a result, each part charged out was reviewed in CityWorks to determine the most recent purchase date. If the date was prior to December 1, 2012, then no adjustments were needed. If the date was after December 1<sup>st</sup>, then it was assumed that the issued part was purchased at that time although there may have been parts present from earlier purchases. Therefore, the monthly journal entry #005 may or may not be accurate but it is the easiest way to calculate under the current conditions.

Finally, no documentation was provided verifying that February 2015's journal entry #005 was posted. Also, October 2014 through January 2015's reviewed entries were not recorded timely in the City's general ledger.

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Recommendation(s):

The Warehouse Issue Report Summary and corresponding Excel spreadsheets should be submitted timely each month to the Finance Department so that journal entry number 005 can be processed to adjust the applicable general ledger account balances as needed. Also, warehouse staff should try and determine a more accurate way to determine the actual purchase date of the issued item so that the correct entries are made.

Management Response (Public Works Department):

A reconciliation will be sent to the Finance Department within five days of month close.

Management Response (Finance Department):

The Public Works Department is submitting the corresponding Excel spreadsheet timely each month to reclassify inventory items originally purchased with MX Stock fund 191.

2. Finding – *Sampled Part Numbers' Verified Counts Differed from CityWorks Totals for 17.71% of the time which Exceeds the Desired Internal Maximum Goal of 10.00%*

The Warehouse Supervisor generated a CityWorks report on September 18, 2015 of all Public Works inventory that was supposedly present. Theoretically, the listed counts should be identical to the inventory on hand as CityWorks uses the perpetual inventory method meaning that the part's inventory balance is increased or decreased accordingly as parts are received or issued. Upon generation of this report, warehouse staff began their physical inventory counts.

After stratifying this report's population by extended value (stock on hand x unit cost), 192 part numbers were randomly selected consisting of 14,279.40 units with a total extended value of \$759,458.23. Internal Audit's test counts for these parts were compared to Public Works staff's physical counts and if they agreed then the corresponding total was used as the final count. If they differed, then the part was counted again with a designated warehouse employee until a consensus was reached as to the total. This verified count was then used as the basis for the sampled part's inventory valuation.

A comparison of the physical counts found differences for 34 of the 192 sampled part numbers or 17.71%, which is less than last year's 21.29% but is still more than the desired 10.00% maximum goal. The corresponding net valuation difference was \$10,818.52 as sometimes the CityWorks reported amount was higher and other times the verified physical count was higher. Where necessary, the Warehouse Supervisor adjusted the CityWorks reported inventory totals to reflect the results of the full inventory physical counts, including Internal Audit's test counts, to help ensure that valuation is reasonably correct as of September 30, 2015.

However, Public Works Department management does not receive a system report of all the changes made on the population to determine their magnitude and to increase staff accountability. Also, they have been unable to determine the root causes for these differences (shrinkage, improper recordkeeping, unsupervised access to inventory, etc.) so that the necessary changes can be made to help prevent future occurrences. Regardless, the following factors noted during testing most likely contributed to this 17.71% difference:

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- a. Warehouse staff has to ensure that the appropriate entries are made into CityWorks to help ensure that part numbers' valuations are accurate which ultimately affect their charging out and inventory value. For example, a \$124,800.00 overstatement associated with part number ZWIR-07's total value was identified as it was incorrectly assigned a \$63.03 unit cost in CityWorks when it actually should have been \$0.63. Although this mistake does not affect the aforementioned 17.71% calculated difference, it would still affect the part's carrying value and the price at which it's charged out.

In addition, warehouse staff may have initially assigned part numbers logically but over time as new parts were added they have become confusing, not necessarily consistent and can be easily mistaken. For example, there are currently eleven different parts starting with ZFIX-01 which more concisely includes ZFIX-01.8, ZFIX-01.8A, ZFIX-01.84 and ZFIX-01.85 whereby the inadvertent omission or inclusion of a number or letter could result in the incorrect part number being received or charged out.

Another potential concern is that most parts are charged out on a per unit basis but some are based on the whole box, the number of feet, etc. which can lead to inaccurate entries. For example, some pipes such as PIP-27.5, PIP-35, PIP-40.8, PIP-58, etc. are priced by the foot but others are based by the full length piece (PIP-20.6, PIP-30.C, PIP-35.C, PIP-41.2, etc.).

- b. The Public Works Department warehouse closed for inventory on September 15, 2015 at 2:00pm. All staff was notified on September 3, 2015 to charge out all projected needed parts through the end of the month to minimize disruptions to warehouse personnel. These items were then safeguarded in less secure divisional store rooms, on departmental vehicles, etc. until either being used or returned to inventory once the warehouse resumed normal operations.

Additional parts after the warehouse closed were to be issued only for emergencies pending the Infrastructure Division Director or his designee's approval. Despite these instructions, 35 different part numbers totaling 903 units and \$34,620.34 were charged out between September 15<sup>th</sup> and September 30<sup>th</sup>, 2015 (the date that inventory was finished and the warehouse resumed normal operations). The issuance of parts while the warehouse is closed complicates the inventory process as they can impact the accuracy of the valuation based upon when they were issued (before or after Public Works physical count, before or after Internal Audit's test counts and before or after any mutually agreed upon verified counts).

- c. Part numbers were not always stored together or were commingled with other parts thereby potentially hindering quantifying which could impact the physical count and ordering. For example, pipes, bends, etc. were found intermixed with other parts especially at the 75<sup>th</sup> Street and Dickens Avenue location. Furthermore, a few sampled parts were found in more than one storage facility (examples include part numbers ZBAS-10 and PIP-30.5).

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Similarly, two parts were found to have the incorrect storage location listed during test counts. One of these, part number ZCLM-04.2, was incorrectly assigned a unit count of 0 during staff's physical count rather than its actual 23 as confirmed by Internal Audit.

Recommendation(s):

The compensating control of performing full scale physical inventory counts should continue to be performed as this fiscal year's 17.71% difference exceeds the desired 10.00% maximum goal. In addition, the implementation of the following recommendations should help reduce this percentage to more acceptable levels in future fiscal year inventories:

- a. All warehouse staff's CityWorks entries should be timely reviewed and approved by the supervisor given their potential material impact on inventory's recorded carrying value. The currently assigned part numbers should also be revised to give a better description of the item and be distinct from others so that the inadvertent omission of a number, letter or asterisk won't necessarily result in an incorrect part number being charged thereby adversely affecting two different recorded quantities. Lastly, part numbers' unit measures should be consistently and uniformly applied to help reduce any potential confusion and the possibility of mistakes.
- b. Public Works Department management and warehouse staff should meet to determine how the inventory process could be further shortened and how to minimize the number of parts needing to be charged out during the physical inventory count. Possible options include more automation, supplementing the number of departmental employees involved in the counting process, having management verify that sufficient parts are charged out prior to the start of inventory, confirming that any subsequently needed parts truly represent an emergency before they are issued, etc.
- c. Although a continuous struggle due to space limitations, unsupervised access to certain inventory, etc., similar parts should be grouped together with an accurate storage location listed to facilitate identification and quantifying.

Management Response (Public Works Department):

The Public Works Department is in the process of documenting the counting procedure by September 30, 2016 and will include shortening of the counting process from two weeks, and developing an inventory count standard operating procedure. Inventory parts will be re-assigned and properly labeled with short descriptions of each part. The warehouse will be re-organized to where parts are set up alphabetically then numerically. This process will provide accuracy in recording quantities. In addition, all employees will be trained on how to properly enter inventory into City Works. A sample count will be taken quarterly to ensure accurate inventory count which will reduce the length of time during year end count. During this time an average of weekly parts usage will be taken and set aside for any emergency and service request. The reorganizing of parts should create additional space, allowing all parts to be properly grouped together within a precise storage location.

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3. Finding – *Inventory Software Shortcomings Need to be Addressed to Better Satisfy the Warehouse's Operational Needs*

The Public Works warehouse implemented a mobile inventory management system purchased from Motorola Solutions Inc. in April 2014 called INVision to interface the handheld mobile computers to the CityWorks Storeroom module (implemented on April 1, 2006) by bringing the data entry device and bar coding to the location of the materials. Inquiries with warehouse staff and a cursory review of the two software systems identified the following shortcomings during testing in the CityWorks and INVision sections:

CityWorks

- a. Inventory items continue to be valued using a weighted average costing approach that supposedly includes all purchases made of the parts since 1984. Technology advancements and component materials' price changes have caused some parts most recent purchase prices to vary both negatively and positively from the recorded weighted average prices. As a result, fiscal year-end inventory valuations continue to be impacted.

For example, it was determined that 37 of the 192 sampled parts have not been purchased since April 1, 2006's CityWorks inception. Of the remaining 155 sampled part numbers, a comparison of the most recent purchase price with the weighted average price listed in CityWorks found that 15 parts' percentage difference exceeded 20.00%, either higher or lower. The largest difference noted was 150.51% for part number CLM-80.5 as its most recent purchase price of \$385.78 was \$231.78 more than the listed CityWorks weighted average cost of \$154.00.

- b. Maximum and minimum quantities are not currently recorded in CityWorks to aid staff in ordering. The warehouse supervisor or his/her designee could then generate a daily report alerting them as to what part numbers have fallen below the minimum threshold and as to the corresponding quantity to be ordered. In its absence, ordering continues to be done manually as staff becomes aware which could lead to inadvertent stock outs or overstocks thereby negatively affecting carrying costs and inventory turns.
- c. Cityworks does not currently track whether each part number in inventory is to be recorded in the general ledger as belonging to water and sewer; streets and streetlights; or tools and supplies. As a result, staff has to undertake the time consuming annual process of reviewing each part number and project who the end user will be so that the proper accounts can be impacted.

INVision

- d. The INVision System only recognizes the charging out of whole numbers (1, 2, 3, etc.) and not decimals. Therefore, items such as rock, asphalt, sand, etc. that are usually disbursed in other than whole numbers (ex. 1.25, 2.52, etc.) have to be issued on a manually prepared MX-1 form and directly entered into CityWorks bypassing INVision.
- e. The INVision System does not transmit the receipt of goods through either

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delivery or return of previously issued inventory properly to CityWorks. The identified short term solution has been to enter the received goods directly into CityWorks which will then communicate the corresponding entries to INVision. Similarly, the bar coding function cannot be used yet to facilitate the labor intensive physical inventory count completed annually. The City's GIS Manager expects that these functions should become operational later this fiscal year when the transition to a new web based version of CityWorks is complete.

Recommendation(s):

Plans to convert from the current continuous weighted average inventory valuation method to FIFO, LIFO, specific identification, etc. should be pursued so that the listed valuations more accurately reflect the actual value of the inventory currently in stock. Also, all desired CityWorks and INVision changes should be prioritized and sent to the City's GIS Manager and the vendor for their review and comments. Staff may also need additional software training to help implement these changes and to learn about the availability of other system functions not known or utilized. Finally, the proposed conversion to a new web based version of CityWorks should be completed as soon as possible to aid warehouse staff in the completion of their duties.

Management Response (Public Works Department):

The Public Works Department is seeking options in INVision to change from weighted average inventory valuation to either FIFO. This will require upgrades to the current software and additional training on how to use this software efficiently.

4. Finding – *Parts were Not Reviewed Prior to the Start of Inventory to Determine if Any are Obsolete and can be Removed from the Physical Count Valuation and/or Disposed of*  
In selecting its random sample stratified by extended value to confirm the Public Works Department's physical count and valuation, one of the items tested was part number PIP-55.9 whose extended value of \$56,330.10 is the second highest behind MTR-07.4's extended value of \$60,353.60. Closer analysis shows that none of this 16" TR flex epoxy lined pipe was charged out during the 2014/15 fiscal year and that only one 18.6 foot length piece has been charged out during the past seven fiscal years. Unaware as to its projected need and future availability, it seems that this part's large inventory balance may be excessive and can be reduced.

Subsequent inquiries with staff found that inventoried parts are typically not reviewed annually to determine if any can be disposed of as items are usually only scrapped if they are broken and cannot be salvaged. After the completion of the inventory, Internal Audit requested and received a listing of parts that have not been issued or charged out during the past five fiscal years. In reviewing this report, it was found that 570 different part numbers totaling \$248,323.43 met these criteria and continue to be carried in the warehouse's inventory valuation when they may be obsolete.

In addition, the Public Works yard contained several sections where charged out hydrants, meter boxes, meter covers, etc. have been returned after extensive usage in case any parts are subsequently needed. These parts are not brought back into inventory and their numbers are escalating occupying valuable ground space where they can be accessed by anyone. Similarly, there was a large pile of unusable public telephones stored in the yard that are in need of being scrapped.

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The September 30, 2015 generated CityWorks report listed 953 active part numbers with a \$0.00 extended value representing 19.08% of the 4,996 total assigned part numbers which is an increase over last fiscal year's 909 parts.

Recommendation(s):

At a minimum, the Public Works Department should generate this non-issuance report and review its listed parts prior to the start of inventory to determine if any quantities can be reduced or the parts are obsolete and can be sold to another City, recycled, used in a CIP project, scrapped, etc. Otherwise, the continued storage and safeguarding of any unneeded or obsolete parts inflates the total inventory value, occupies valuable space, ties up departmental monies, etc. Also, guidelines should be established concerning the return of charged out used parts to determine if they have value or are obsolete and should be disposed of. Finally, warehouse management should review the 953 part numbers with a \$0.00 extended value to determine if any are no longer used and can be removed from CityWorks.

Management Response (Public Works Department):

The Public Works Department is in the process of documenting the counting procedure by September 30, 2016 and develop an inventory count standard operating procedure. The department will identify a tagging system within the documented inventory procedures that will separate obsolete parts from parts in current use. In addition, all parts that have been purchased before the year of 2012 will be reviewed. If these parts are considered to be obsolete, parts will be recycled or sold which will increase space and decrease the margin of discrepancies.

**Note:** Some parts that are before this time frame may seem to be obsolete by the time frame standards. When in actuality, these parts are still functional and useful in emergency situations based on the type of material that we have presently in the ground.

5. Finding – *Security Cameras Deficiencies Were Noted Which Require Attention*

The Public Works facility located at 451 Dade Boulevard is currently monitored by thirty-five digital cameras to record daily activities. The system hardware, computer monitors and digital video recorders are adequately safeguarded in the continuously staffed Control Room. These cameras are primarily used as a detective measure to be reviewed after an incident has occurred to help determine fault.

Sixteen cameras' activities can be viewed on a computer monitor called "Bank 1", sixteen more are visible on "Bank 2" and three are on "Bank 3". As funding permits, departmental management may elect to install additional cameras to "Bank 3" to cover such needed areas as the warehouse counter, inside the electrical room, etc.

Review of all these cameras during a Tuesday October 13, 2015 site visit found that Bank 1, Camera 2; Bank 1, Camera 15; Bank 2, Camera 1; Bank 2, Camera 3; and Bank 2, Camera 13 were very blurry and in need of repair. Furthermore, Bank 2, Camera 12's recordings were partially blocked by tree branches that need to be cut back. When asked, Control Room staff stated that the cameras occasionally have to be reset due to power surges which could limit their effectiveness. Finally, there is no blueprint or

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template documenting the cameras location and areas covered to facilitate identifying which if any are not functioning properly, where they are positioned, what areas they cover, etc.

Recommendation(s):

The positioning and effectiveness of the cameras should be continually reviewed to maximize their benefit to the City. With the purchase of the digital video recorder for "Bank 3", management should determine whether there is a need and funds available to purchase additional cameras to better protect noted strategic blind spots. A Pinnacle representative should be dispatched to fix the five blurry cameras while Public Works staff should cut back the tree branches blocking Bank 2, Camera 12's view. To compensate for the occasional power surges, Public Works should consider investing in a new power surge protector/back UPS. Finally, a blueprint or a template should be maintained showing the location of each camera.

Management Response (Public Works Department):

The Public Works Department will make contact with the Pinnacle representative to determine the repair and/or maintenance of the cameras. The department will also develop a template that identifies the location of each camera.

6. Finding – *Security Deficiencies are Identified that Could Allow Unsupervised and/or Unauthorized Access to City Assets*

An October 12, 2015 site visit identified the following fencing and lock deficiencies at the designated locations that increases the possibility that City assets may be misappropriated, damaged or vandalized:

- a. The 81<sup>st</sup> Street and Hawthorne Avenue (81<sup>st</sup> Street) facility's perimeter fence continues to be secured with a standard 3252 model lock. Numerous Public Works Department personnel have the master key and therefore can obtain unsupervised access to the facility and its limited contents. On a positive note, fewer heavy slow moving parts are stored on the premises as many items have been transferred to other facilities.
- b. Although the 75<sup>th</sup> Street and Dickens Avenue (75<sup>th</sup> Street) facility is better secured with a Medeco lock, pump shop staff also were given keys to run needed tests on the water, make necessary repairs, etc. thereby granting them unsupervised access to the inventory stored on the premises.
- c. Despite the recent installation of a new perimeter fence at 75<sup>th</sup> Street, soil erosion as created several places whereby intruders could crawl underneath and gain access to the facility.
- d. Gaps in the fence large enough for unauthorized intruders to enter were found in the northwest corner of yard 2 and in the northeast corner of the 451 Dade Boulevard facility bordering the par 3 golf course and the Rabbi Alexander S. Gross Hebrew Academy.
- e. A large hole lies exposed and uncovered near the northeast corner's perimeter fence of 451 Dade Boulevard thereby creating a safety hazard.

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Recommendation(s):

The implementation of the following recommendations should help better protect the City's assets stored at the tested Public Works facilities:

- a - c. Despite the continuous struggle to keep intruders from gaining unauthorized access to the 75<sup>th</sup> and 81<sup>st</sup> Street facilities, greater precautions and periodic security reviews should be implemented to better prevent unsupervised entry. Possible changes to consider include adding fencing to separate the 75<sup>th</sup> Street inventory from the pump station, installing cameras, transferring inventory from these remote locations to 451 Dade Boulevard, repairing any soil erosion, etc.
- d - e. Any gaps or holes in the perimeter fencing and pavement of 451 Dade Boulevard should be repaired to help prevent unauthorized access and/or inadvertent injuries.

Management Response (Public Works Department):

The Public Works Department has fixed the holes in the perimeter fencing of 451 Dade Boulevard and will identify the areas at 75<sup>th</sup> and 81<sup>st</sup> Street facilities that need additional repairs to prevent unauthorized access.

7. Finding – *Warehouse Standard Operating Procedures Need to be Expanded and Updated to Better Depict Current Operations*

Standard operating procedures serve both as a benchmark to measure individuals' performance and as an instruction manual in the event employees' change. The reviewed Public Works Department were found to be rudimentary and lacking sufficient detail as noted limitations concerned entries into CityWorks and the usage of its available reports, the steps by which an accurate inventory is to be performed, the need to submit a detailed Bill of Materials prior to the beginning of large projects to help ensure that needed parts are present, the usage of bar coding, etc.

Recommendation(s):

Departmental standard operating procedures should be continuously expanded and updated as needed to accurately describe current warehouse operations.

Management Response (Public Works Department):

The Public Works Department is in the process of documenting the counting procedure by September 30, 2016 and develop an inventory count standard operating procedure.

## **EXIT CONFERENCE**

An exit conference was held on April 18, 2016 in the Office of Budget & Performance Improvement. Participants included John Shumaker (Deputy Finance Director), Sara Patino (Financial Analyst III), Roy Coley (Infrastructure Division Director), Girlande Bertrand (Office Associate IV), George Corchado (Warehouse Supervisor), Shirley Thomas (Buyer), Keary Cunningham (GIS Manager), James Sutter (Internal Auditor) and Mark Coolidge (Senior Auditor). All parties were in agreement as to the contents of this report. Management responses were solicited and included in our report.

Internal Audit Report  
Public Works Department's Warehouse Inventory Audit  
For the Fiscal Year Ended September 30, 2015  
June 10, 2016

JJS:MC:mc  
Audit performed by Mark Coolidge (Senior Auditor)

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cc: Eric Carpenter, Assistant City Manager  
Roy Coley, Infrastructure Division Director  
Allison Williams, Chief Financial Officer  
John Shumaker, Deputy Finance Director