



**Joseph M. Centorino**, Inspector General

TO: Honorable Mayor and Members of the City Commission  
FROM: Joseph Centorino, Inspector General

DATE: December 8, 2020  
PROJECT: Public Works Warehouse Inventory Valuation as of September 30, 2020  
OIG No. 21-09

The City's Public Works Department is responsible for providing services such as planning, design, construction, maintenance, repair, and operation of City infrastructure, including utility systems, City buildings, and facilities. The Public Works Department warehouse, through its operations, handles the purchases and distribution of materials and supplies for daily use, and supplies infrastructure and construction materials to the Water, Sewer, Pump Stations, Stormwater, and Streets and Streetlight Divisions.

As part of the department's daily warehouse operations, materials are received and issued for all phases of Public Works operations. At the same time, work order numbers are created in Cityworks (the City's infrastructure management software) to track the cost of labor, materials, and equipment used in projects performed by the Public Works Department. They enable the department to determine the value of the projects and to recover the cost of repair or replacement of City property damaged by an outside party. Small materials and equipment, such as tools and raincoats that are not job-specific, are charged to the individual truck numbers to record disbursement at no charge.

The Public Works Department stores all its inventory parts in the following four (4) locations at 451 Dade Boulevard, which are all protected by cameras recording all activities. A summary of these areas and their contents, along with any additional security measures maintained, is provided below:

1. Warehouse – The largest and only indoor storage facility for inventory parts, which is further protected by an alarm and identification reader, so access is restricted to authorized employees.
2. Yard 1 – This secure fenced area with a covered roof is located directly south of the warehouse at the bottom of the loading dock ramp, and is used to safeguard such larger, frequently issued inventory parts as clamps, valves, and glands.
3. Yard 2 – This secure fenced area is located south of Yard 1 and behind the water tanks bordering Miami Beach Senior High School. The parts stored in this area consist primarily of light poles, hydrants, pipes, offsets, and caps.

4. Central Yard Area – A fenced less secure area that houses City vehicles, miscellaneous equipment, and inventory, such as sand, rock, and asphalt. Authorized access after regular working hours can be requested by contacting the Control Room from the call box located at the entrance to the facility.

Public Works Department personnel perform an annual physical warehouse inventory count of all parts at the end of each fiscal year to determine their corresponding number of the units on hand or quantities. Office of the Inspector General (OIG) staff concurrently conducted test counts of randomly selected parts. Any noted differences from the quantities recorded in Cityworks were subsequently re-counted with an assigned staff member until a consensus is reached.

Warehouse staff records the final on-hand quantities in Cityworks as determined by the annual physical inventory count for all parts thereby typically resulting in a new fiscal year-end value. Once completed, OIG staff verifies that all sampled parts are correctly valued before giving its approval to warehouse staff to resume normal operations.

These calculated totals are then forwarded to the Finance Department, which is responsible for preparing a journal entry to adjust the applicable general ledger inventory balances. Lastly, the City's designated external auditors are notified of these results.

**Testing Results**

Upon receipt of Cityworks provided reports valuing all inventory parts prior to the start of the physical inventory count, OIG staff randomly selected and performed test counts of 305 different parts totaling 12,913 units on hand (quantities) with a cumulative value of \$1,291,427.53. A comparison of the units on hand with our physical test counts identified differences for nine of the 305 sampled parts or 2.95%. More specifically, there was a net difference of 11 units on hand totaling an immaterial \$1,813.38 as some sampled parts quantities were overstated, while others were understated. The table below summarizes the percentage difference (number of sampled parts where OIG staff's physical count differed from the Cityworks recorded units on hand divided by the total number of sampled parts) and the corresponding net dollar difference as calculated during the past five fiscal years testing.

	09/30/2016	09/30/2017	09/30/2018	09/30/2019	09/30/2020
Percentage Difference	31.50%	5.69%	0.00%	3.98%	2.95%
Net Dollar Difference	(\$28,691.17)	(\$1,359.40)	\$0.00	(\$4,430.20)	\$1,813.38

Public Works warehouse staff should be commended for their hard work in sorting through the inventory parts on hand, determining its obsolescence and reorganizing the remaining parts on the newly purchased and installed adjustable racks. Consequently, this year's inventory was more organized, occupied less space and was easier to locate and count than in prior years.

In addition to these positives, warehouse staff have been performing cycle counts over the past four fiscal years which has also resulted in significantly lower September 30<sup>th</sup> percentage differences than in the fiscal years prior (31.50% in 09/30/2016). Cycle counts involve counting a small subset of inventory, in a specific location, on various days throughout the years and

adjusting the listed Cityworks units on hand accordingly. The OIG emphasizes that it is important that Public Works Department designated staff identify the root cause of any noted quantity differences found during either cycle counts or annual physical inventory counts to help prevent similar errors from reoccurring.

Public Works Department's response:

The following has been implemented as per the attached revised Warehouse Operations Procedure (SOP):

Auditing of Materials

- Before an "Audit" transaction is conducted, detailed justification must be provided. Justification must include, but not limited to:
  1. Pictures deeming material to be damaged
  2. Letters / E-Mails from Manufacturer deeming material obsolete or unserviceable
  3. E-Mails from division supervisors deeming material obsolete or unserviceable
  4. E-Mail from Warehouse Supervisor or Storekeeper III requesting material details to be updated (Returns to supplier, Unit of Measure update, etc.)
- When conducting an Audit transaction in CITYWORKS, the user must input an account number and input a detailed reason to why the audition transaction is being conducted. Once this transaction is completed, the transaction will be printed.
- Once an Audit is conducted in CITYWORKS the "Inventory Audit Form" must be completed and signed by the employee conducting the audit, then signed and approved by the Warehouse Supervisor, Division Superintendent, and Department Director.

Fiscal Year-End Inventory Valuation(s)

The table below shows the five (5) most recent year-end rounded physical count valuations of the Public Works Department's warehouse inventory:

09/30/2016	10/31/2017*	09/30/2018	09/30/2019	09/30/2020**
\$2,084,662	\$1,689,014	\$1,795,501	\$1,963,870	\$2,614,727

\* The 2017 fiscal year-end valuation was delayed one month due to the impact of Hurricane Irma.

\*\* The September 30, 2020 inventory valuation was substantially higher due to the recent purchases of approximately \$500,000 in water and sewer motors that were stored in the last aisle of the warehouse.

The September 30, 2020 valuation is comprised of the following Public Works divisional totals, presented in descending order below:

Water	\$956,879.65
Sewer	\$824,499.18
Streetlights	\$601,341.04
Stormwater	\$186,999.75
Streets	\$45,007.02
<b>Total</b>	<b>\$2,614,726.64</b>

OIG staff verified that Public Works warehouse staff accurately made the necessary corrections in Cityworks and that all our test counts were correctly reported in the final inventory reports. As a result, the OIG recommends that Finance Department use the valuation of \$2,614,726.64 as of September 30, 2020.

**Additional Observations**

An unannounced site visit to the Public Works Department's Control Room on September 23, 2020, found that a handful of cameras were in disrepair as either their pictures were blacked out or unclear. These cameras and their recordings should be well maintained as they serve as a deterrent to any potentially misbehaving individuals and could help identify wrongdoers more quickly.

Public Works Department's response:

*The Public Works Division's Control Room and Warehouse personnel is aware of the existing deficient and dated surveillance system, several attempts in prior years to make repairs and add storage capacity have not yielded positive results. On August 31, 2020 Control Room staff again reported several cameras malfunctioning and proceeded to call on the maintenance provider to make repairs. Temporary repairs were completed on September 10, 2020 only to have cameras go out again a week later.*

*As part of the FY 2020-21 Budget process the Division requested the amount of \$120,000 for the installation of a new surveillance system that would meet the division's needs and adhere to prior audit findings and recommendations, only \$47,300 were approved for said installation as provided below.*

<b>Account</b>	<b>Division</b>	<b>FY 2021 Requested Amount</b>	<b>FY 2021 Actual/Allocated Amount</b>
425-0410-000325	Water	\$30,000	\$4,000
425-0420-000325	Sewer	\$30,000	\$3,300
427-0427-000325	Stormwater	\$30,000	\$10,000
011-0840-000325	Streets & Street Lighting	\$30,000	\$30,000

*Presently the Division is working with the Procurement Department on the below ITB (Invitation to Bid) to price the needed upgrades:*

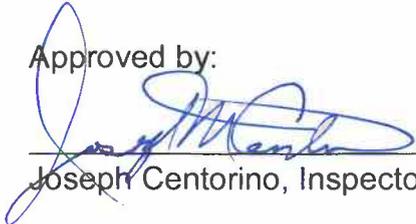
**SPECIFICATIONS:**

*Purchase and delivery of upgrade, install and maintenance of Close Caption Television (CCTV) for Public Work Main Yard Security Cameras to include but not limited to configuration and testing; quarterly inspection of system for quality of operation; Service calls on an as needed basis; 12 month warranty on camera installed; One site one (1) time training for 10 city employees.*

SCOPE OF WORK:

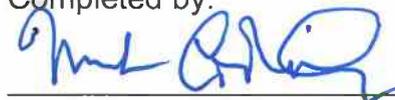
Successful bidders (s) will be required to provide purchase and delivery of upgrade, install and maintenance of Close Caption Television (CCTV) for Public Work Main Yard Security Cameras. It shall be the responsibility of the vendor to deliver the materials and perform upgrades/installations between the business hours of 7:30AM through 3:30PM Monday through Friday.

Approved by:

  
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Joseph Centorino, Inspector General

12/08/2020  
Date

Completed by:

  
\_\_\_\_\_  
Mark Coolidge, Chief Auditor

12-08-2020  
Date

- cc: Jimmy L. Morales, City Manager  
Alina Tejeda Hudak, Assistant City Manager  
John Woodruff, Chief Financial Officer  
Roy Coley, Public Works Department Director  
Rodolfo De La Torre, Public Works Department Infrastructure Division Director