

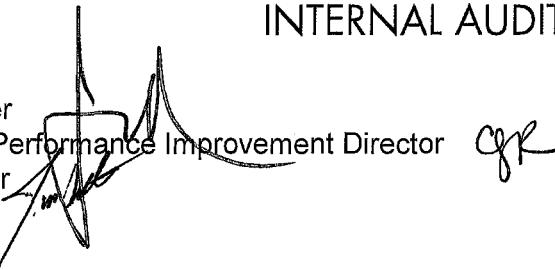
MIAMI BEACH

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: December 20, 2016
AUDIT: Public Works Department's Warehouse Inventory Audit
PERIOD: Fiscal Year Ended September 30, 2016



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, 2016, 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 has been used by Public Works since April 1, 2006.

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.

In 2012, the Public Works Department purchased a mobile inventory management system from Motorola Solutions Inc. Additionally, Miles Technologies INVision Software was 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

Internal Audit Report

Public Works Department's Warehouse Inventory Audit

For the Fiscal Year Ended September 30, 2016

December 20, 2016

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 III, a Storekeeper II, a Buyer, an Administrative Aide I and 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, asphalt, smaller pipes, etc.) are stored here.

Meanwhile, larger slower moving inventory was transferred to separate fenced facilities located at 75th Street and Dickens Avenue and 81st 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:

Internal Audit Report

Public Works Department's Warehouse Inventory Audit

For the Fiscal Year Ended September 30, 2016

December 20, 2016

9/30/2012	9/30/2013	9/30/2014	9/30/2015	9/30/2016
\$2,120,551	\$1,899,775	\$2,023,836	\$2,315,686	\$2,084,662

This 2015/16 fiscal year ending inventory of \$2,084,662 was 9.98% less than the previous fiscal year's total due primarily to the removal and disposal of obsolete parts according to warehouse management. Internal Audit conducted test counts of 200 part numbers totaling 6,173.40 items with a cumulative value of \$735,750.84 or 35.29% 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 \$2,084,662.84 be used as the September 30, 2016 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:

- A comparison of the Cityworks Storeroom module's (Cityworks) perpetual book counts with Internal Audit's verified sampled physical counts identified 63 differences totaling a net of \$28,691.17 which at 31.50% (63/200) 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.
- Shortcomings in the camera system monitoring 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.

Internal Audit Report

Public Works Department's Warehouse Inventory Audit

For the Fiscal Year Ended September 30, 2016

December 20, 2016

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 – Sampled Part Numbers' Verified Counts Differed from Cityworks Perpetual Book Count Totals for 31.50% of the time which Exceeds the Desired Internal Maximum Goal of 10.00%*

The Warehouse Supervisor generated a Cityworks report on September 28, 2016 of all Public Works inventory that was supposedly present. Theoretically, the pending physical 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.

After stratifying this report's population by extended value (units on hand x unit cost), 200 part numbers were randomly selected for testing which consisted of 6,743.57 units with a total extended value of \$764,442.01. Internal Audit's test counts for these parts were then compared to Public Works staff's physical counts and if they agreed then the corresponding total was used as the final verified 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.

Public Works staff conducted their physical inventory counts on September 30, 2016 and Internal Audit's test counts were completed on October 1, 2016. A comparison of the verified counts to the number of units on hand listed in Cityworks found differences for 63 of the 200 sampled part numbers or 31.50%, which is more than last year's 17.71% and is considerably higher than the desired 10.00% maximum goal. The corresponding net valuation difference was \$28,691.17 as sometimes the Cityworks reported extended value was higher and other times the verified physical count was higher.

As a result, the Warehouse Supervisor adjusted the Cityworks reported inventory totals when necessary 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, 2016. However, Public Works Department management does not receive a Cityworks report of all the changes made on the population to determine their

Internal Audit Report

Public Works Department's Warehouse Inventory Audit

For the Fiscal Year Ended September 30, 2016

December 20, 2016

magnitude and to increase awareness as to the amount of the differences. The implementation of previously discussed cycle counts during the fiscal year will help identify these differences earlier so that their underlying cause(s) can be determined and the necessary corrections made.

It is difficult to determine the root cause(s) for this fiscal year's 31.50% difference but the following factors noted may have contributed and make it difficult to hold anyone accountable:

- 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 \$49,960.00 overstatement associated with part number ZSCR-06's total value was identified as it was incorrectly assigned a \$100.00 unit cost in Cityworks when it actually should have been \$.08. Although this mistake does not affect the aforementioned 31.50% calculated difference, it would still affect the part's carrying value and the price at which it's subsequently charged out.
- b. The percentage differences between the Cityworks and physical counts were also calculated for each location in which inventory is stored with the highest belonging to the Central Yard Area (80.00%), 81st Street and Hawthorne Avenue (42.86%) and 75th Street and Dickens Avenue (40.00%). These three areas have lesser security to protect their contents as parts can be more easily attained without the knowledge of warehouse staff as discussed further in the introduction section and finding #4 of this audit report.

The current procedure for the 75th Street and Dickens Avenue and 81st Street and Hawthorne Avenue locations is to have Public Works Department personnel drive first to the warehouse to complete the necessary paperwork to charge out the parts before any are removed from inventory. According to warehouse staff, this procedure is time consuming and employees don't always know all the parts they will need from the start. As a result, they may come at the end of their shift or not at all.

- c. The entire front gate restricting access to yard 2, which is located directly adjacent to a water tank, was knocked down on September 3, 2016 when a sweeping machine accidentally hit it. This gate was not repaired until October 19, 2016 which could allow individuals to access parts in the yard without properly charging them out during this six week period. This deficiency which straddled two fiscal years could result in increased differences between the counts for the 2015/16 and/or 2016/17 fiscal years. In fact, Internal Audit found differences for seven of the twenty part numbers sampled inside yard 2 or 35.00% which was the fourth highest calculated percentage.
- d. 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 ten different parts starting with ZPAC-01 which more concisely includes ZPAC-01, ZPAC-01.2, ZPAC-01.25, etc. whereby the inadvertent omission or inclusion of a

Internal Audit Report

Public Works Department's Warehouse Inventory Audit

For the Fiscal Year Ended September 30, 2016

December 20, 2016

number could result in the incorrect part number being received or charged out. As a result, two different part numbers' physical counts and the extended values charged out when the parts are used would be affected.

- e. 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-17.2, PIP-20.1, PIP-20.8, PIP-35, PIP-40.8, PIP-58, etc. are priced by the foot but others are based by the full length piece (PIP-19, PIP-20.5, PIP-30.C, PIP-35.C, PIP-41.2, etc.).
- f. Public Works Department staff reviewed the warehouse's inventory and determined that 359 different part numbers comprising 9,375.60 units and totaling \$162,275.93 were obsolete and were removed from Cityworks prior to the September 30, 2016 physical count. However, another 37 part numbers containing 464.40 units and totaling \$27,831.39 were also deemed obsolete but were not adjusted in Cityworks prior to the generation of the aforementioned September 28, 2016 report. Two of these obsolete parts were included in Internal Audit's random sample which helped increase the percentage difference accordingly. Internal Audit's testing subsequently confirmed that all 37 part numbers were reduced to \$0.00 in the final inventory valuation.

Recommendation(s):

The compensating control of performing full scale physical inventory counts should continue to be performed as this fiscal year's 31.50% 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 pricing entries should be timely reviewed and approved by the supervisor given their potential material impact on inventory's recorded extended value.
- b. Public Works Department management should consider better protecting the inventory stored in the Central Yard Area, 75th Street and Dickens Avenue and the 81st Street and Hawthorne Avenue locations. Possible changes could include adding additional fenced areas for which keys are restricted to warehouse staff, moving the parts from remote locations to 451 Dade Boulevard, etc.
- c. Any breaches to inventory locations should be promptly repaired or additional precautions should be taken to protect the City's assets in the interim.
- d. 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.
- e. Part numbers' unit measures should be consistently and uniformly applied going forward to help reduce any potential confusion and the possibility of mistakes.

Internal Audit Report

Public Works Department's Warehouse Inventory Audit

For the Fiscal Year Ended September 30, 2016

December 20, 2016

- f. Public Works Department staff should continue to review the stored parts to determine if any are obsolete prior to the physical inventory count and year end valuation. Furthermore, they should ensure that these parts are timely and completely removed from inventory so as not to skew the Cityworks and/or physical counts comparisons.

Management Response (Public Works Department):

Warehouse personnel will implement cycle counts on a weekly basis, results of these cycle counts will be provided to the Public Works Assistant Department Director/Infrastructure Director and the Superintendent in charge of the warehouse with the proper documentation.

- a. Daily or weekly (whichever is deemed appropriate) Storekeeper III will provide receiving reports to the Warehouse Supervisor for accuracy review. In addition, the ordering/receiving process will be changed to the following: Storekeeper will create a requisition for purchase, warehouse supervisor will review and approve the requisition (both the purchaser and the creator of the requisition will sign the requisition). Upon receipt of materials, pricing will be checked by Warehouse Supervisor or Storekeeper III to make sure invoice pricing matches the requisition, once pricing is confirmed the item will be entered in Cityworks.
- b. At the present time the Public Works Department's Central Yard located at 451 Dade Boulevard does not have the capacity to house the existing inventory at remote locations, and the cost of monitoring said inventory is excessive compared to the value the extra security provides. Nonetheless the Public Works Department will continue its efforts to better protect the inventory at these locations.
- c. Yard 2 gate was repaired. A chain and lock was installed on the fence leading to the golf course.
- d. Warehouse personnel will work on creating better part numbers in an effort to avoid any confusion when entering or charging out of parts. Part numbers and item descriptions will be updated upon new purchase orders as needed. In addition warehouse personnel have started to include pictures of stock items along with part numbers in an effort to better identify parts.
- e. Warehouse staff has begun the process to make sure part number's units of measure are consistent and uniform throughout the inventory. For example, all pipe by unit of measure (uom) and cost to "whole lengths". Likewise small items such as screws, nuts and bolts etc., will be reviewed and changed to (uom) "box" as applicable.
- f. Warehouse Supervisor removed the 37 obsolete part numbers that remained in Cityworks. Warehouse personnel are in the process of reviewing all items based on usage and last dates used. Items that are scarcely used will be sent to the Warehouse Supervisor for review to determine if items are deemed obsolete.

Internal Audit Report

Public Works Department's Warehouse Inventory Audit

For the Fiscal Year Ended September 30, 2016

December 20, 2016

2. 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 38 of the 200 sampled parts have not been purchased since April 1, 2006's Cityworks inception. Of the remaining 162 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 156.78% for part number ZKIT-01.34 as its most recent purchase price on October 8, 2015 of \$99.45 was \$60.72 more than the listed Cityworks weighted average cost of \$38.73.

- 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; storm water 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.

Internal Audit Report

Public Works Department's Warehouse Inventory Audit

For the Fiscal Year Ended September 30, 2016

December 20, 2016

- e. The INVision System does not transmit the receipt of goods through either 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.

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):

- a. Upon the implementation of the new update to the web based Cityworks, all inventory costs will be tracked by "FIFO" as opposed to weighted average. GIS Analyst is working hand in hand with Cityworks and we suspect Cityworks 15.1 (web-based) will be live in Public Works by end of January 2017.
 - b. Warehouse personnel have begun the setting of minimum levels of all stock items in present version of Cityworks. With the new web-based version of Cityworks, we will have the ability to set both maximum and minimum levels, which will be analyzed and updated accordingly.
 - c. Warehouse personnel are working on obtaining new scanning hardware to compliment the new version of Cityworks. Once implemented, we will stop using the INVision software/hardware and solely use Cityworks. Presently we are working with the City's I.T. Department and Cityworks personnel to ensure we utilize the most accommodating hardware. Once implemented all transactions will be real time.
3. **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 noted blind spots at the warehouse counter, inside the electrical room, etc.

Internal Audit Report

Public Works Department's Warehouse Inventory Audit

For the Fiscal Year Ended September 30, 2016

December 20, 2016

An October 20, 2016 review of these cameras found that Bank 1, Cameras 4, 8 and 12; and Bank 2, Cameras 11 and 15; were not functioning as the screens were completely blank. Furthermore, Bank 1, Camera 15 and Bank 2, Camera 13's recordings were very blurry thereby making it difficult to determine what was transpiring outside.

Finally, there is no blueprint or 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):

Although the City is in the process of preparing an RFP to replace the current Pinnacle system, the identified malfunctioning cameras should be repaired in the interim. The positioning and effectiveness of the cameras should be continually reviewed to maximize their benefit to the City. Finally, a blueprint or a template should be maintained showing the location of each camera and the area covered.

Management Response (Public Works Department):

The Public Works Department has secured the services of Pinnacle Security & Technology, Inc., thru an invitation to quote (ITQ) process, for the purpose of upgrading the existing security system; this will include the installation of 40 new cameras to assure better coverage within the warehouse and throughout the yard. Since the audit, Pinnacle has repaired 3 of the 5 disabled cameras. A template of all camera locations will be provided upon completion of system upgrade.

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

Site visits during inventory to the different Public Works Department inventory locations found the following fencing and lock deficiencies that increase the possibility that City assets may be misappropriated, damaged or vandalized:

- a. The 81st Street and Hawthorne Avenue (81st 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 75th Street and Dickens Avenue (75th 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. Soil erosion at the 75th Street facility has created several places whereby intruders could crawl underneath and gain access to the facility.
- d. The warehouse door was found propped slightly open upon Internal Audit's arrival thereby allowing unauthorized access. Similarly, the northern gate located behind the control room that opens to the old par 3 golf course was found closed but unlocked.

Internal Audit Report

Public Works Department's Warehouse Inventory Audit

For the Fiscal Year Ended September 30, 2016

December 20, 2016

- e. Non-warehouse staff was observed eating lunch unattended inside the premises on October 20th.

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. Greater precautions and periodic security reviews should be implemented at the 75th and 81st Street facilities to better prevent unsupervised entry. Possible changes to consider include adding fencing to separate the 75th Street inventory from the pump station, transferring inventory from these remote locations to 451 Dade Boulevard, repairing any soil erosion, etc.
- d - e. All doors and gates should be properly secured when warehouse staff is not present. Furthermore, any non-warehouse staff invited inside inventory storage areas should not be left unattended.

Management Response (Public Works Department):

- a - c. At the present time the Public Works Department's Central Yard located at 451 Dade Boulevard does not have the capacity to house the existing inventory at remote locations, and the cost of monitoring said inventory is excessive compared to the value the extra security provides. Nonetheless the Public Works Department will continue its efforts to better protect the inventory at these locations. Both yards will be further inspected and deficiencies found will be corrected.
- d. Warehouse main door and gates are to be closed and locked at all times.
- e. Warehouse access to non-warehouse personnel is to be limited as much as possible. In addition non-warehouse personnel are not to be left unattended inside the warehouse.

5. 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 procedures were found to be rudimentary and lacking sufficient detail as noted limitations concerned entries into Cityworks and the usage of its available reports, 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.

Internal Audit Report
Public Works Department's Warehouse Inventory Audit
For the Fiscal Year Ended September 30, 2016
December 20, 2016

Management Response (Public Works Department):

Existing Standard Operating Procedures (SOP's) were reviewed by the Superintendent in charge of the warehouse and found not to be suitable for today's operations. The Warehouse Supervisor has been task to work on the creation of (SOP's) that are more in line with today's operation, address comments and recommendations of internal audit reports and the needs of the Public Works Department.

EXIT CONFERENCE

An exit conference was held on December 9, 2016 in the Office of Budget & Performance Improvement. Participants included Roy Coley (Public Works Department Assistant Director), Rodolfo De La Torre (Streets and Streetlighting Superintendent), George Corchado (Warehouse Supervisor), John Alani (Storekeeper III), James Sutter (Internal Auditor) and Mark Coolidge (Assistant Internal Auditor). All parties were in agreement as to the contents of this report. Management responses were solicited and included in our report.

JJS:MC:mc

Audit performed by Mark Coolidge (Assistant Internal Auditor)

F:\OBPI\\$AUD\INTERNAL AUDIT FILES\DOC16-17\REPORTS - FINAL\PUBLIC WORKS INVENTORY RPT 2016.docx

cc: Eric Carpenter, Assistant City Manager
 Roy Coley, Public Works Department Assistant Director
 Rodolfo De La Torre, Streets & Streetlighting Superintendent
 Allison Williams, Chief Financial Officer