
CITY UTILITIES COMMITTEE WATERSHED MANAGEMENT INVENTORY AND FIXED ASSETS

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OBJECTIVES

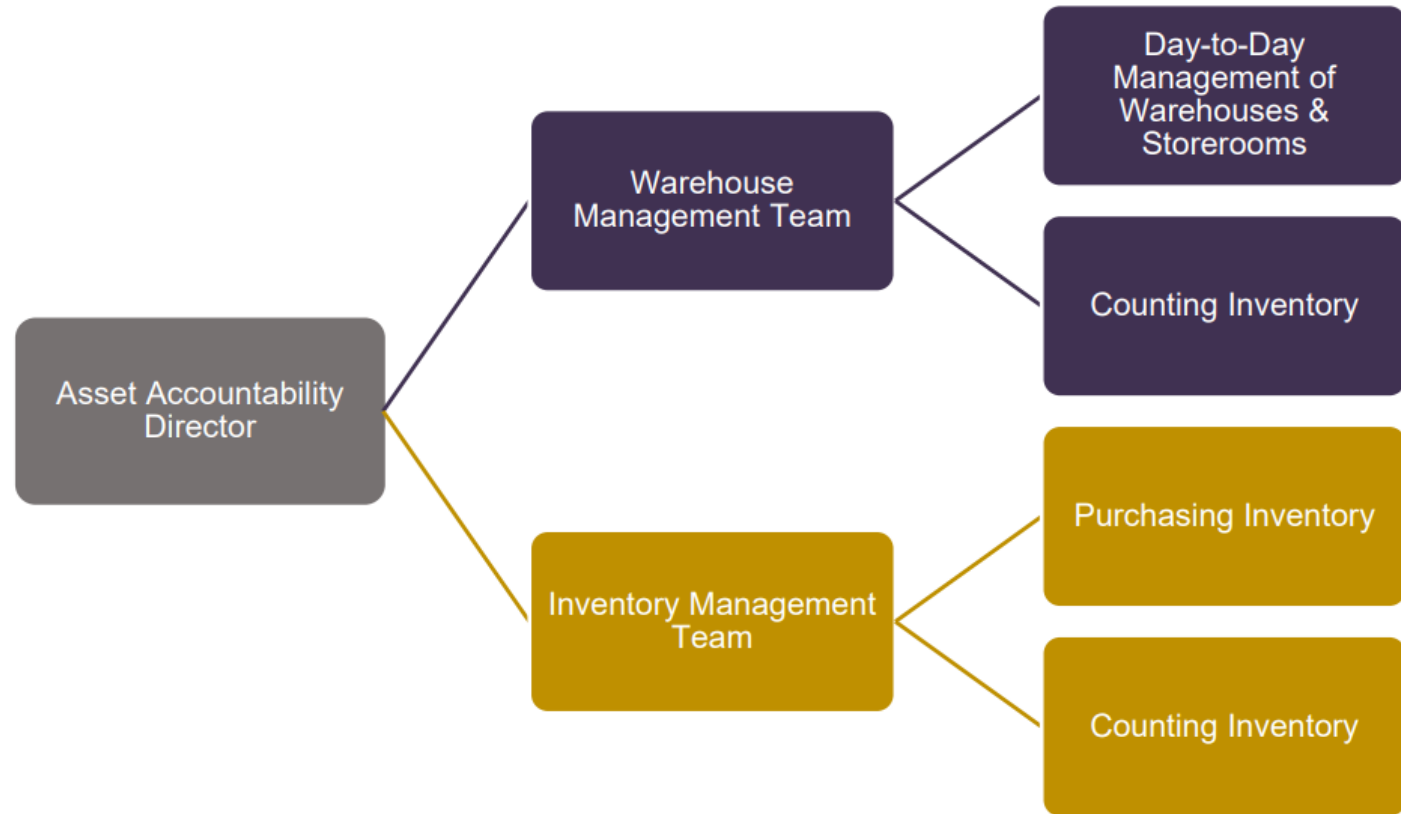
- Are controls in place to safeguard inventory?
- What are the barriers to implementing procedures?

BACKGROUND

- Watershed Management maintains inventory at seven warehouses and three storerooms in the city
- Department spent an average of about \$23 million annually for inventory, supplies, and non-capital equipment over the past eight fiscal years
- Spending on fixed assets totaled \$56 million between 2014 and 2021

BACKGROUND

Department created procedures for managing the warehouses and tracking inventory in 2015.



Source: Developed by auditors based on Office of Watershed Asset Management Inventory and Warehouse Management Standard Operating Procedures Version 7.0 p. 12

PROCEDURES ADOPTED IN 2015 WERE NOT IMPLEMENTED

- Teams responsible for managing inventory are not following procedures for purchasing, receiving, and issuing inventory
- Monitoring inventory using reports outlined in procedures could mitigate undetected loss and theft
- Offices track inventory outside of the department's inventory management systems

QUANTITY AND VALUE OF INVENTORY ON HAND IS UNKNOWN

- The last wall-to-wall inventory count at all warehouses occurred in 2018
- Procedures require employees to conduct wall-to-wall counts at each warehouse in June and December
- A key goal of the wall-to-wall counts, along with accurate tracking, is to validate the amount of inventory for financial reporting.

QUANTITIES OF ITEMS MATCHED SYSTEM RECORDS FOR LESS THAN HALF OF THE SAMPLED ITEMS

Exhibit 8: Inventory Accuracy at 14th Street and South River Warehouses Was Below 50%

	14 th Street Warehouse	South River Warehouse
Sampled Items that Matched Inventory Records	8	100
Total Items Sampled	50	206
Percentage of Sampled Items that Matched Inventory Records	16%	49%
Units of Sampled Items Counted	2,802	887
Units of Sampled Items in Inventory Records	1,901	1,179
Variance between Units Counted and Inventory Records	901	-292
Total Value of Items with a Variance	\$262,112.74	\$87,212.19

Source: Developed by auditors based on our audit testing results at South River on 1/25/22 and at 14th Street on 1/27/22.

DEPARTMENT WAS INITIALLY UNABLE TO LOCATE ABOUT \$2 MILLION IN FIXED ASSETS

Exhibit 9: Department Initially Found Less than Half of the Sampled Fixed Assets

	Less than \$9,999	\$10,000-69,999	\$70,000+	Total Fixed Assets
Sample Count	28	28	28	84
Fixed Assets Located	6	17	16	39
Percentage located	21.4%	60.7%	57.1%	46.4%

Source: Developed by auditors based on audit testing results

Staff reconciled \$1,728,949 of the missing fixed assets, lowering the total of the unreconciled fixed assets in our sample to \$276,249.

RECOMMENDATIONS

The Watershed Management commissioner should:

1. enforce procedures to ensure that both inventory records and on-hand quantities are accurate
2. ensure that staff use monitoring reports to monitor and track inventory as stated in procedures
3. enforce procedures for conducting semi-annual wall-to-wall counts for accuracy and completeness as required by procedures
4. clarify in procedures which items the Office of Asset Accountability Management should purchase and which items offices should purchase directly from vendors

RECOMMENDATIONS (CONT.)

5. develop procedures for documenting information about fixed assets, including requiring the documentation of serial/identification numbers
6. implement a barcode scanning system or similar technology to mitigate risks associated with manual processes, and document and implement mitigating controls for manual processes into procedures until the barcoding system is implemented
7. affix GPS or other tracking technology to equipment used in the field
8. assign staff to inspect fixed assets at least every two years as required by the Department of Finance's Capital Assets Policy and Procedures

QUESTIONS?

Full Report:

<http://www.atlaudit.org/watershed-management-inventory-and-fixed-assets---june-2022.html>