



COUNTY OF PLACER

OFFICE OF AUDITOR-CONTROLLER

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February 7, 2020

Mr. Ken Grehm, Director
Placer County Department of Public Works
3091 County Center Drive, Suite 220
Auburn, CA 95603

Re: Fleet Division Year-End Inventory Count Review

Dear Mr. Grehm:

The Internal Audit Division of the Auditor-Controller's Office performed a review of the year-end inventory count as of June 30, 2019 for the Fleet Division (Division), a division of the Department of Public Works (Department). The objectives of our review were to obtain an understanding of the Division's internal controls over inventory reporting, its physical safeguards, monitoring, and usage tracking; assessing the control risks; ensuring inventory count is accurate and complete; and, making recommendations for improvement.

During our review, which consisted of inquiries of the Division's staff regarding current processes, procedures employed by the Division, and physical inspection of inventory, we noted areas where internal controls over inventory safeguarding, recordkeeping, management, and financial reporting could be strengthened to ensure the accurate recording and safeguarding of County assets. Accordingly, our summary of observations and recommendations are as follows:

Inventory for Surplus

During our observation of the inventory count at the Tahoe garage, we identified three cylinders and five fuel sensors with inventory numbers slated for surplus that were not properly segregated from the garage inventory and therefore were included in the final inventory counts and values.

We recommend the Division segregate obsolete, damaged and excess inventory and ensure these items are excluded from the garage inventory counts and expensed from the subsidiary ledger and general ledger balances. Additionally, the Division should ensure the items are transferred to the County's Procurement Services Division for proper disposal in a timely manner.

Department's Response:

Fleet concurs with the Audit recommendation and will separate the surplus items from the inventory items and remove the count from the Assetworks system.

Inventory Identification

During our observation of the inventory count at the Tahoe garage, we identified a set of windshields without an inventory number or identifying marker. As such, we were unable to verify whether the items were part of the garage inventory or were purchased specific for a job.

We recommend the Division ensure all garage inventory items are labeled appropriately to ensure inventory can be accurately tracked when received and used. If items are not part of the garage inventory, those items should be segregated from the garage inventory and clearly marked for their intended purpose.

Department's Response:

Fleet will correctly identify items as inventory or non-inventory.

Communication with Inventory Counters

During our observation of the inventory count process at the Auburn garage, we noted there were hose and GPS inventory units moved to other locations outside of the garage inventory area without communicating the information to the staff responsible for conducting the physical inventory count, resulting in an incomplete count of those items.

We recommend the Division ensure all staff are informed when garage inventory items are moved to other locations before the inventory count process begins to ensure garage inventory is accounted for properly.

Department's Response:

Communication on inventory item locations will be conveyed before the year-end inventory process starts.

Staff Counting Procedures

During our observation of the physical inventory count process at both the Auburn and Tahoe garages, although blind inventory counts were used to perform the physical inventory, we noted these counts were conducted by only one individual counter or with two counters splitting the inventory list and counting only their assigned portion of the inventory list.

Best practices recommend physical inventory counts be conducted in teams of two, with one person counting and one person recording the quantity to the inventory count sheet or each team

member separately counting the inventory items, comparing their counts, and immediately recounting any items with count differences.

Department's Response:

Fleet will move forward with conducting the physical inventory counts in teams of two.

The Department's responses to the recommendations identified in our review are described above. We did not audit the Division's responses and, accordingly, we express no opinion on them.

We appreciate the courtesy and cooperation of the Department staff throughout the course of this review.

Respectfully,



Nicole C. Howard, CPA
Assistant Auditor-Controller

cc: Chuck Gordon, Public Works Manager, Department of Public Works
Colby Weisz, Assistant Fleet Services Superintendent, Fleet Division, Department of Public Works
Cierra Garcia, Staff Services Analyst II, Fleet Division, Department of Public Works
Placer County Audit Committee