



## COUNTY OF PLACER

## OFFICE OF AUDITOR-CONTROLLER

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July 8, 2021

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

Re: Year-End Inventory Count Follow-Up Review

Dear Mr. Grehm:

The Internal Audit Division of the Auditor-Controller's Office performed a follow-up review to our prior Year-End Inventory Count Review for the Fleet Division (Division), a division of the Department of Public Works. The objective of our procedures was to determine how the recommendations from our previous review were implemented. Our procedures included inquiries of the Division personnel along with reviews of supporting documentation relating to our recommendations in our previous report.

The following is a summary of our observations and recommendations along with the Division's responses from the previous report dated October 27, 2020, which is then followed by the status of the Division's implementations of our recommendations.

### **Observation #1: Inventory Count Not Performed at Year End**

The Division did not perform inventory counts at the Auburn and Tahoe garages as of fiscal year-end, June 30, 2020 as required per the County's Accounting Policies and Procedures Manual – Inventory which states, "Departments responsible for maintaining physical inventories must maintain adequate subsidiary records to support the amount recorded in the County general ledger... When the value of an inventory warrants: perform annual inventory on June 30th."

We observed inventory counts at the Auburn and Tahoe garages which occurred after the fiscal year-end, on August 8<sup>th</sup> and 20<sup>th</sup>, respectively.

### Recommendation

We recommend the Division perform a year-end inventory count no later than June 30th each year the Division has inventory on hand as per the County's policies and procedures.

### *Division's Response:*

*COVID delayed our count this fiscal year due to low staffing. In the future, Fleet will complete a year-end inventory count before June 30<sup>th</sup> of each year.*

**Status – Implemented during Follow-Up Review**

The Division scheduled the fiscal year-end inventory count for both the Auburn and Tahoe garages for June 8<sup>th</sup> through June 10<sup>th</sup>, 2021. The Division has assigned two Division staff to perform the count at both garages.

**Observation #2: Inventory Identification**

During our observation of the inventory count at the Tahoe garage, we identified three hydraulic lift arms 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.

*This is a repeat observation from the fiscal year 2018-19 Year-End Inventory Count Review report dated February 7, 2020.*

Recommendation

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.

*Division's Response:*

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

**Status – Implemented**

The Division reviewed their inventory and ensured the Auburn and Tahoe garage inventory is appropriately labeled. Also, the Division removed non-inventory or surplus items away from the inventory area to ensure these items are not included in the inventory count. Furthermore, the Division removed items for surplus, that were specific for retired equipment.

**Observation #3: Incorrect Inventory Count**

During our review of the inventory count for the Tahoe garage, we noted the inventory counters incorrectly counted three parts during the physical inventory count. As a result, the final inventory value does not accurately reflect the quantity of inventory on hand as per the County's Accounting Policies and Procedures Manual - Inventory which states, "Departments responsible for maintaining physical inventories must maintain adequate subsidiary records to support the amount recorded in the County general ledger."

Recommendation

We recommend the Division ensure inventory counts are conducted in teams of two, each team member separately counting the inventory items, comparing their counts, and immediately recounting any items with count differences.

*Division's Response:*

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

**Status – Implemented**

The Division assigned two staff persons to perform the inventory count at the Auburn and Tahoe garages. The Division stated that during the COVID-19 Pandemic they had limited staffing affected the Division's ability to

have multiple staff persons perform the inventory count. However, the Division staffing has normalized and, going forward the Division will continue to perform the year-end inventory counts in teams of two.

**Observation #4: Final Inventory Reconciliation**

During our review of the inventory count reconciliation for the Auburn garage, we noted multiple items in the final inventory quantity do not reflect the inventory quantity adjustments noted during the Auburn garage physical recount because of errors made when entering the final quantities into the Division's inventory system. Also, we noted the Division does not perform a review of the ending inventory count for the Auburn and Tahoe garages to ensure the quantities recorded in the inventory system are accurate based on the physical inventory counts.

Recommendation

We recommend the Division establish procedures to review and approve the final inventory quantities after inventory adjustments are completed to ensure the final inventory is accurately recorded in the Division's inventory system. Also, we recommend the review and approval procedures are performed by a member of Division's management that is not responsible for performing the physical inventory or maintaining inventory records as per the County's policies and procedures.

*Division's Response:*

*Fleet will review and approve the final inventory counts after inventory adjustments.*

**Status – Implemented during Follow-Up Review**

**The Division performed a multi-level review for inventory with discrepancies identified during the year-end physical inventory count. The Auburn and Tahoe garage supervisors performed a recount of the inventory that appeared on the Division's discrepancy report due to quantities not agreeing. After the discrepancies were verified by the supervisors, the Assistant Fleet Services Superintendent entered the verified quantities and initialed that the corrections have been made into the AssetWorks system. The Public Works Manager then performed a final check of the inventory that had discrepancies to confirm the corrections were accurate before finalizing the inventory.**

The Division's responses to our recommendations identified in our original report dated October 27, 2020 are included above. We did not audit the responses and accordingly, we do not express an opinion on them.

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

Respectfully,



Nicole C. Howard, CPA  
Assistant Auditor-Controller

- cc: Will Garner, Deputy Director of Public Works, Department of Public Works
- Colby Wiesz, Public Works Manager, Fleet Division, Department of Public Works
- Cierra Garcia, Assistant Fleet Services Superintendent, Fleet Division, Department of Public Works
- Placer County Audit Committee