Public Works Department

Audit of High Risk Material Management

September 21, 2016

Audit Services Report #16-01

Fundamental Responsibility

"The duty to make certain that public property is adequately protected and that its use is properly managed is one of the fundamental responsibilities of government officials."

*State Auditor's Budgeting, Accounting and Reporting System (BARS) Manual, section 3.3.8.40*

Audit Focus

Determine if

the Public Works Department

Provides an adequate control environment
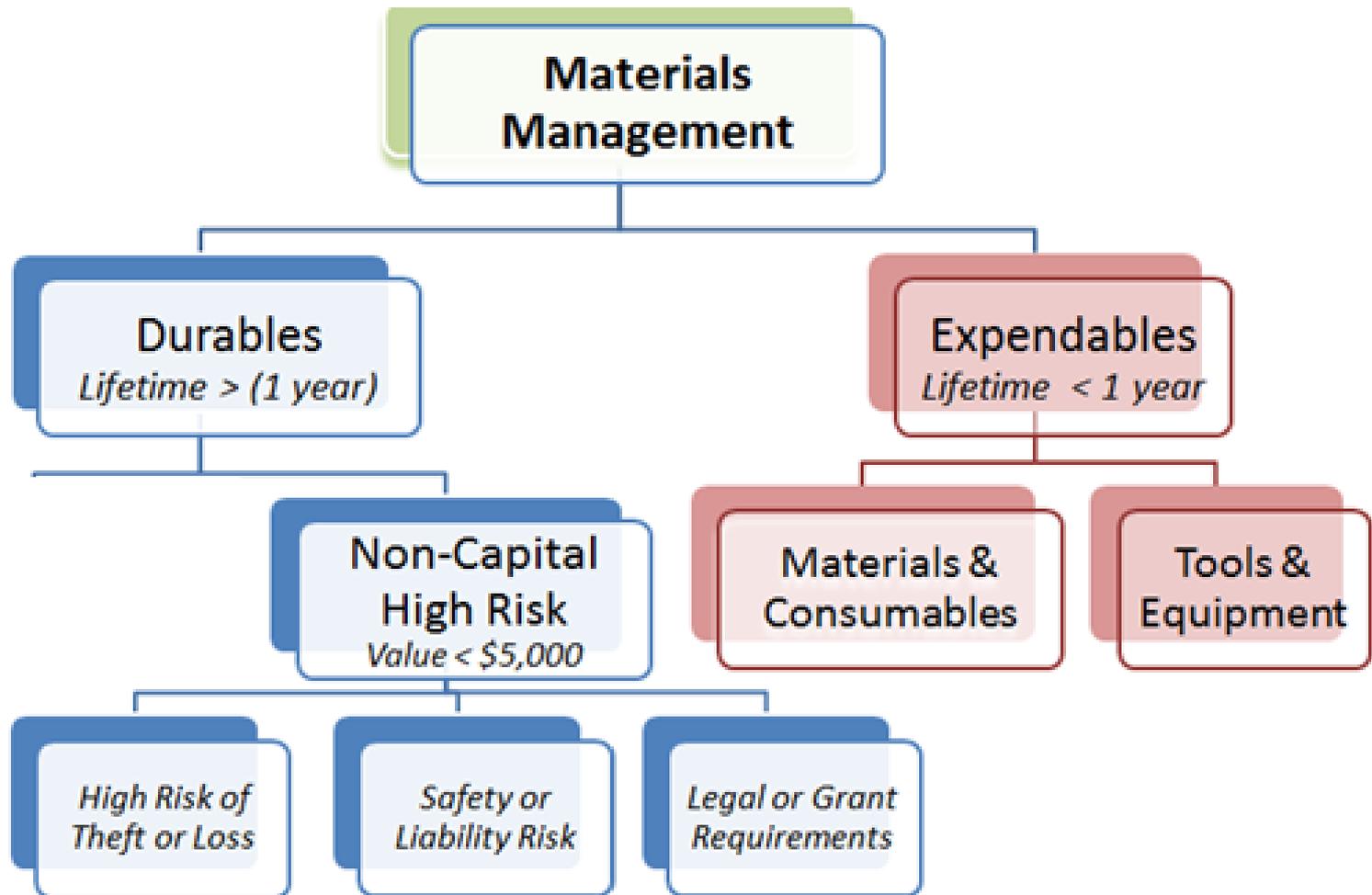
for high risk, high value items

County Audit Plan

- Select highest risk organizations based on size and complexity

- Choose items to test based on value, risk of loss, and safety risk

- Evaluate effectiveness of controls and security efforts
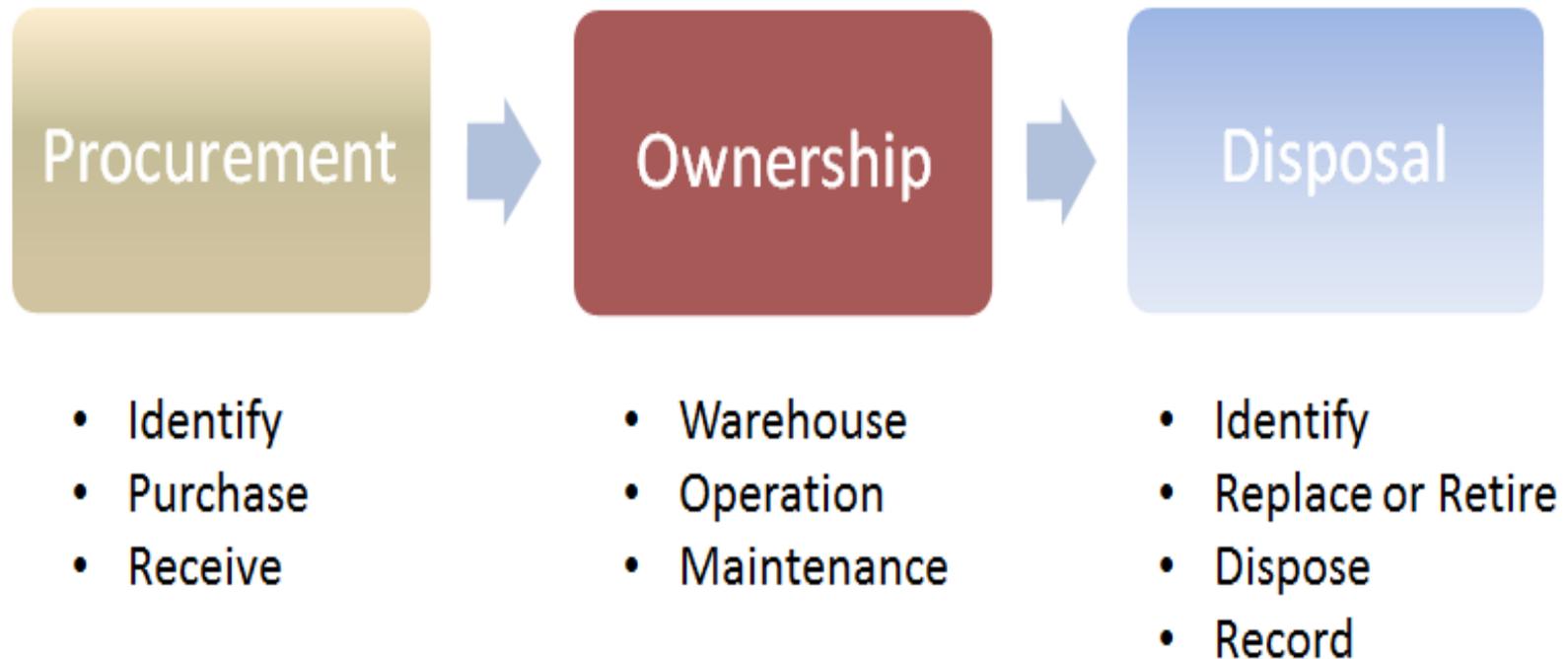
Logistics Terms Used
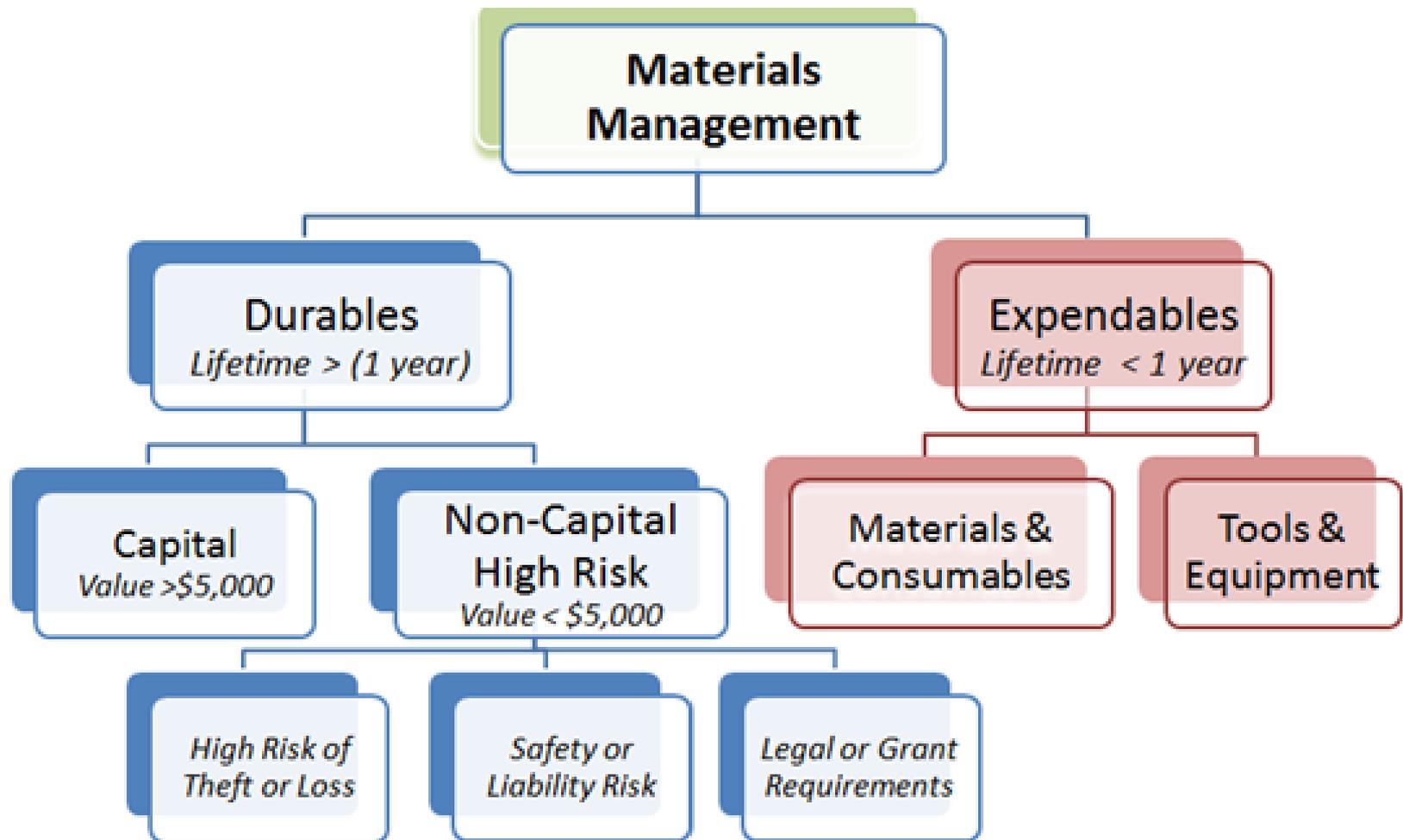
Logistics Terms Used

Materials Life Cycle

Procurement → **Ownership** → **Disposal**

- Identify
- Purchase
- Receive

- Warehouse
- Operation
- Maintenance

- Identify
- Replace or Retire
- Dispose
- Record

Materials Life Cycle

Our Focus

Procurement	Ownership	Disposal

- Identify
- Purchase
- Receive

- Warehouse
- Operation
- Maintenance

- Identify
- Replace or Retire
- Dispose
- Record

Audit Objectives

I. Evaluate control of high risk tools & equipment

II. Evaluate control of high risk expendable parts & supplies

III. Evaluate physical security of facilities and access controls

What We Did

- Selected nine organizations in 13 locations

- Nearly 200 pieces of durable tools & equipment

- Over 650 lines of supplies and parts

- Four inventory control software programs

What We Developed

- Conclusions on effectiveness in all three areas of the audit

- Seven **findings** that require attention

- Ten specific **recommendations** to help improve operations or accountability

- Public Works addressed many issues while audit was still in progress

Some Limitations of this Report

- **RCW 42.56.420**: Selective, limited removal of high risk items from public report

- Deletion authority only affects physical security of facility and software vulnerabilities

- Sensitive areas will continue to be tracked and reported on by management and the Auditor's Office

Audit Objectives

I. Evaluate control of high risk tools & equipment

II. Evaluate control of high risk expendable supplies

III. Evaluate security of facilities and access controls

Conclusion on Audit Objective 1

I. Evaluate control of high risk tools & equipment

   Control of high risk durable equipment was moderately effective and is improving

II. Evaluate control of high risk expendable supplies

III. Evaluate security of facilities and access controls

Durable Items

- Gas Powered Hand Tools

- Electronic Test Equipment

- Handheld Radios

<u>Finding 1</u>

- **We Found:** Tools and equipment locations are identified, but database is missing key ID data

- **Effect:** Can not easily locate or manage equipment accurately

- **Recommendation**: (R1) Public Works should update tool inventory records to complete missing data which is key to accurately identifying equipment.

Finding 2

- **We Found**: No policy for ID or marking mechanic's tools

- **Effect:** Unmarked tools in the workplace defaulted to individually owned

- **Recommendation:** (R2) Public Works should implement a policy to require all tools be marked permanently, and that ownership of unmarked tools reverts to the county, consistent with industry best practices.

Conclusion on Audit Objective 2

I. Evaluate control of high risk tools & equipment

Control of high risk durable equipment was moderately effective and is improving

II. Evaluate control of high risk expendable supplies

Control of expendable supplies is marginally effective

III. Evaluate security of facilities and access controls

Expendable Items

- Components

- Repair Parts

- Supplies

Finding 3

- **We Found:** Warehouse record standards are not consistent across divisions

- **Effect:** Some divisions could not consistently identify parts and equipment quantities or locations to industry standards

- **Recommendations:**

(R3) Clarify disposition of grant funded equipment and supplies contracts .. this year

(R4) Adopt improved inventory control practices in the Traffic and Signals Warehouse.

Finding 4

- **We Found:** Fleet Services bulk fuel system management controls are not effective
- **Effect**: Unable to determine if any losses occurred in 2015 due to unreliable records
- **Recommendations:**

(R5) Develop policy that identifies acceptable levels of fuel variance, and how to respond to exceptional ones.

(R6) Review fuel measurement procedures and consider changing them to more accurate ones

Conclusion on Audit Objective 3

I. Evaluate control of high risk tools & equipment

Control of high risk durable equipment was moderately effective and is improving

II. Evaluate control of high risk expendable supplies

Control of expendable supplies is marginally effective

III. Evaluate security of facilities and access controls

Security and access controls were not effective.

Facilities & Equipment Security

- Equipment Storage

- Facilities

- Software

Finding 5

- **We Found:** Security of equipment and work vehicles is improving

- **Effect**: Risk of loss from unlocked vehicles is decreasing

- **Recommendations**: (R7) Text omitted

<u>Finding 6</u>

- **We Found:** Access to the 78th Street Operations Center is not well controlled

- **Effect:** Potential increased risk of equipment loss and reduced personal safety

- **Recommendations:**

(R8) Work with the Chief Information Officer and Facilities Manager to develop effective workplace security policy and guidance.

(R9) evaluate if security at workplace entrances meets workplace security needs.

<u>Finding 7</u>

- **We Found:** Software security and controls are not fully effective

- **Effect**: Increased risk of equipment or data loss

- **Recommendations**: (R10) Text omitted

<u>Summary</u>

- **Durable** items are accounted for and accuracy of records is improving.

- **Expendable** item accountability is inconsistent. Work is needed in records quality, managing old stock and handling of grant funded items.

- Bulk **fuel accountability** requires improved oversight

- While they have not yet resulted in reported losses, **security vulnerabilities exist** at the 78th street facility. The same conditions may exist at other locations.

More Information

- A copy of the audit is available from the County Auditor's web site:

    http://www.clark.wa.gov/auditor/audit/audreports.html

- Questions? Contact the Auditor's Office

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