



AUDIT REPORT



DATE February 19, 2019

NO. 2019-003

PUBLIC WORKS

SAN CASA YARD INVENTORY

FISCAL YEAR END

SEPTEMBER 30, 2018

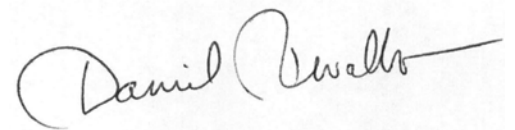
INTERNAL AUDIT DIVISION
ROGER D. EATON
CLERK OF THE CIRCUIT COURT AND COUNTY COMPTROLLER
CHARLOTTE COUNTY FLORIDA

Honorable Roger D. Eaton
Charlotte County Clerk of the Circuit Court and Comptroller
350 East Marion Avenue
Punta Gorda, Florida 33950

We have completed an audit of the Public Works - San Casa Yard inventory for the fiscal year ending September 30, 2018. The purpose of this audit was to ensure adequate controls exist and are operating effectively over the inventory process.

The report details the current control environment and includes our comments and recommendations. Management responses have been included and immediately follow the audit report.

Respectfully submitted,

A handwritten signature in black ink that reads "Daniel Revallo". The signature is written in a cursive style with a long horizontal stroke extending to the right.

Daniel Revallo
Internal Audit Director

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EXECUTIVE SUMMARY

Internal Audit has completed a review of the Public Works Maintenance & Operations year-end inventory process. Our review determined that controls were adequate in performing and recording the inventory, duties are segregated, and the inventory is properly safeguarded. There were no material differences between the results of the physical inventory count and the end balance in the inventory general ledger account. Our review also disclosed the following:

1. EAMS was not adjusted for activity that occurred prior to cutoff time/date.

Based upon the finding of our review, we offer a summary of the recommendation. We discussed the recommendation in detail later in this report:

1. **We recommend** that the cutoff date established by Fiscal Services for all inventory-related activity be the same as the physical inventory count date. EAMS should be updated to reflect all materials taken by the crews from inventory before printing the reports used during counts.

BACKGROUND

The Public Works Department builds and maintains roadways, bridges, navigable waterways, stormwater infrastructure, traffic lights and signs, rights-of-ways and landscaping in unincorporated areas of Charlotte County while protecting and preserving the environment. The Department further provides solid waste management including curbside service and operation of the landfill, manages mosquito and aquatic weed control programs, and operates the Indian Spring and Lieutenant Carl Bailey Cemeteries.

Public Works Maintenance and Operations Division is specifically dedicated to sustaining Charlotte County's roadways and right-of-ways. This Division is responsible for maintaining asphalt roadways, non-paved roadways, right-of-way mowing, brush control within the right-of-way, drainage to include swales, stormwater pipes and drainage systems, sidewalk maintenance, street sweeping, boat lock operations, Tom Adams Drawbridge operations, landscape installation and maintenance within County right-of-way, and County owned Cemetery operations.

Inventory parts and materials are maintained at three locations: the Punta Gorda, JB, and San Casa yards. Fiscal Services under the County Budget & Administrative Services Department performs mid-year and year-end inventory counts. The results of the physical counts are compared to the inventory balances carried on the financial system EDEN. Any differences are investigated and significant discrepancies are explained. Fiscal Services then prepares a journal entry to adjust for the differences. The entry and supporting documentation is forwarded to the Clerk Comptroller's Office and the entry is posted in the form of an adjusting journal entry in EDEN.

AUDIT OBJECTIVES

Our review was based on the following objectives:

1. Observe the year-end inventory count and evaluate the adequacy and effectiveness of internal controls and procedures over the inventory process.
2. Determine that adequate segregation of duties exists in daily operations and the year-end inventory process.
3. Ensure that the inventory is properly safeguarded.
4. Ascertain that the final inventory reconciliation is accurate and the general ledger is properly updated.

SCOPE

We selected the fiscal year ending September 30, 2018 and focused on the year-end inventory process at the San Casa yard location. We observed Public Works/Fiscal Services conducting the inventory counts and tested a random sample of 28 inventory items to compare with their results. The sample enabled us to observe that proper procedures and controls were being followed in the final inventory count and in the final reconciliation to the general ledger. The results of the physical inventory count materially agreed with the ending balance of the inventory account in the Clerk's Financial System EDEN.

COMMENTS AND RECOMMENDATIONS

1. EAMS is not updated for yard activity occurring prior to the physical inventory cutoff date.

On the date and time of the count, scheduled for the afternoon, Internal Audit found out that EAMS had not been updated/adjusted for materials/parts taken from the yard the night prior to or early morning before counting inventory.

Proper period-end cutoff of all inventory-related activity ensures that all transactions are reported in the proper financial period and that the Enterprise Asset Management System EAMS reflects the actual inventory items on-hand on inventory day. It also helps mitigate the risk that Fiscal erroneously prepares a journal entry to adjust the carrying value of the inventory in EDEN, causing it to be over or understated.

We recommend that the cutoff date established by Fiscal Services for all inventory-related activity be the same as the physical inventory count date. EAMS should be updated to reflect all materials taken by the crews from inventory before printing the reports used during counts.

CONCLUSION

Our review determined that the year-end inventory count process is adequate and effective, duties are segregated, and the inventory is adequately safeguarded.

ACKNOWLEDGEMENT

We would like to thank Charlotte County Public Works Maintenance and Operations, Fiscal Services, and the Clerk Comptroller's Office for their assistance in the completion of this audit.

Audit performed by:

Orlando Solarte, Senior Internal Auditor and

Misti Payette, Internal Auditor

Charlotte County Clerk of Court & County Comptroller



MEMORANDUM

Date: January 28, 2019
To: Dan Revallo, Internal Audit Director
From: Richard Arthur, Division Manager, Fiscal Services
CC: Gordon Burger, Director of Budget and Administrative Services
Subject: Responses to the Internal Audit on Year End Inventory Audit – Public Works

Please find below the list of recommendations from your department, and the response from the Board.

1. Recommend that the cutoff date established by Fiscal Services for all inventory-related activity be the same as the physical inventory count date. EAMS should be updated to reflect all materials taken by the crews from inventory before printing the reports used during counts.

Response: Fiscal Services will ensure cutoff in EAMS and the physical inventory count occur at the same time. This will be documented in the Physical Inventory Standard Operating Procedure.

