

Audit Report #2017-07

Follow-Up of the Fleet Inventory Audit



Clerk of the Circuit Court & Comptroller

September 27, 2018

Internal Audit Department



ANGELA VICK

CLERK OF THE CIRCUIT COURT AND COMPTROLLER
CITRUS COUNTY, FLORIDA

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The Honorable Angela Vick
Clerk of the Circuit Court and Comptroller

Dear Ms. Vick:

The Internal Audit Department (IAD) has completed the Follow-Up of the Fleet Inventory Audit for the Citrus County Board of County Commissioners. There were five audit recommendations from the original report, dated April 1, 2016.

All recommendations were addressed and corrective action was implemented. The report on this follow-up audit is attached. Based on our observations, limited testing, and discussions with the Fleet Management, IAD considers all items closed.

We appreciate the cooperation and professional courtesies extended by the Fleet Management and staff. IAD commends management for implementing the recommended improvements.

Sincerely,

Robin C. Barclay

Robin Barclay
Chief Audit Officer

OBJECTIVE

The objective of this follow-up audit was to evaluate whether corrective actions were taken to address audit observations and recommendations included in the original Fleet Inventory Audit for the Citrus County Board of County Commissioners Report, dated April 1, 2016.

BACKGROUND

At the conclusion of each audit assignment, a final report is issued by the IAD that includes identified control weaknesses, non-compliance with policies and procedures, and any non-compliance of laws and regulations. We work with management throughout the audit process to develop recommendations and action plans to address these matters.

METHODOLOGY

To assess the status of management's corrective actions, IAD made observations, conducted limited testing, and held discussions with management.

When issues are deemed satisfactorily implemented or management has accepted the risk of not taking action, IAD considers the issue closed.

Our follow-up audit was conducted in accordance with the International Professional Practices Framework, which requires internal auditors to establish a follow-up process to determine if issues were adequately addressed and recommended corrective actions were effectively implemented.

SUMMARY RESULTS

The audit recommendations and management responses below were described in the original report, dated April 1, 2016. This report continues the follow-up evaluation of the recommendations and lists their current implementation status below.

Recommendation 1

Based on the testing and analysis of inventory, IA recommends the following actions to assist FM in achieving accurate physical inventories.

- a. Management should improve the current review process to reduce data entry errors by providing additional training to staff using FASTER, emphasizing the importance of accuracy and consistency.
- b. As discussed in Observation 4, implementing a reconciliation and review process will reveal the areas requiring improvement.

Proper recordkeeping ensures data is accurate, reliable, and complete.

Management's Response

There will be training, checks and balances to make sure the proper data is being captured in FASTER.

Status – Implemented

IAD reviewed the invoice from the FASTER vendor, which reflected a fee for annual training and technical support. The FASTER helpdesk staff is available to assist with navigating the FASTER software. The Fleet Management Director (FMD) described, in detail, their training topics, which were discussed with staff.

IAD also determined that invoices were reviewed prior to being recorded in FASTER and reviewed daily in the accounts payable software, Content 360.

Recommendation 2

Management should:

- a. implement the appropriate method for recording parts returns and various credits in FASTER.
- b. update written procedures for recording all parts returns/credits in FASTER.
- c. reconcile purchases and associated returns/credits with Pentamation data.
- d. track credits received for prior year purchases for year-end reconciliation adjustments.

These actions will strengthen controls, ensure inventory accuracy, and facilitate the reconciliation process.

Management's Response

FMD concurs with the Audit Team to quantify the review process. Training will start after the new Fleet Admin is hired.

Status – No longer applicable

Effective October 1, 2018, NAPA will provide the inventory for Fleet Management. This change will reduce the time previously required for processing approximately 1500 invoices per month, tracking returns/credits, parts ordered, received, and issued. NAPA's software will interface with FASTER to record inventory transactions. At the end of the month, NAPA will send one invoice for payment.

After implementation, the FMD stated he will establish a procedure to review and reconcile the various activity reports generated by NAPA and FASTER, to determine billing accuracy prior to approving NAPA's invoice.

Recommendation 3

Adjusting parts quantities does not provide an adequate audit trail or history of parts movement.

According to the FASTER manual, the transfers tab provides a method for tracking the *physical* movement of parts not associated with receiving or issuing the part. Two types of transfers are:

- a. moving a quantity of a part from one storeroom to another (stock to nonstock, stock to auctioned, e.g.).
- b. transferring a part from a storeroom back to a vendor.

Tracking physical movements of parts keeps inventory numbers correct and the purchase orders and accounts accurate.

IA and the FMD discussed creating a new ‘storeroom’ for auctioned and obsolete parts that tracks these transactions, which will provide data for management reports and inventory reconciliations.

During the audit, the FMD implemented this recommendation, and no further action is required at this time.

Management’s Response

During the audit, the FMD implemented this recommendation, and no further action is required at this time.

Status – Implemented

Recommendation 4

- a. Fleet should perform reconciliations on a regular basis.

Several reports are available that can be utilized in reconciling Fleet’s invoices recorded in FASTER with Pentamation. Report 4204, Parts Received, is a detailed report to track and analyze parts received by invoice number, vendor name, part number and description, indicating quantities received, unit price, shipping, total cost, and stock and nonstock number. Report 4303, Sublet by Vendor, reflects vendor activity, invoice number, date, and invoice cost.

These reports contain the data required to compare transactions recorded in Pentamation, and to reconcile for discrepancies. Other reports to assist in the reconciliation would be parts transfers from storeroom to storeroom, and parts returned to vendor.

- b. A fiscal-year report, using each of the reports listed above, should be provided to Financial Services with the annual inventory report, which will provide actual costs for inventory. This report would be helpful in analyzing year-end adjustments and would be available for the external auditors.

During the audit, IA and the Fleet Management Director agreed that implementing a reconciliation process would provide another control in managing and overseeing the parts inventory. As a result, the Clerk’s Financial Services Department will provide training and assistance to execute this activity.

The FMD and Financial Services are collaborating on this recommendation to develop a process for implementation.

Management’s Response

The FMD and Financial Services are collaborating on this recommendation to develop a process for implementation.

Status – No longer applicable

The Senior Secretary reconciles the invoices in Content 360 on a daily basis. Effective October 1, 2018, the recommendations will no longer apply, since all inventory activities—ordering and issuing parts, tracking returns/credits, and staffing the parts room—have been contracted with NAPA.

Starting in fiscal year 2019, NAPA will maintain the parts inventory for Fleet, eliminating the need for year-end inventory counts and Pentamation reconciliations.

Recommendation 5

FASTER best practice recommendation is to “Limit all other rights as much as possible. It is easier to set up a user with limited rights and then to grant other rights as needed, rather than have to take them away because they are not being used properly.”

- a. To ensure data security, any changes/additions to software access should be documented, stating the reasons for the request, and approved by the FMD. When duties and processes change, evaluate the user’s access to ensure permissions align with current duties.
- b. Determine why the software vendor requires two user accounts. If only one is required, IA recommends inactivating the unused account.
- c. Changes to the system settings should be reviewed and approved by the FMD.
- d. Periodically run a report to determine that system settings changes have not been made without proper authorization and approval.

Management’s Response

FMD will approve all updates and changes that need to be made to FASTER. FMD will run periodic reports of any changes to the FASTER system.

The two accounts for the software vendor have been deleted from the system.

Status – Implemented

IAD reviewed current User Permissions Reports, which reflected changes and corrections made in FASTER, and indicated that the software vendor permissions were removed.

The reports were signed by the person who made the changes, and by the reviewer. The FMD stated he schedules six-month reviews, in addition to approving access and changes when an employee no longer requires certain permissions.