



Inspector General Insights

Background: Inventory audits are performed by the Office of the Inspector General (OIG) on a routine basis to ensure controls are in place to prevent and detect fraud or financial misstatements. In this instance, the new department manager asked for OIG's input about their processes.

Objective: The objective of this inventory process review included the following:

1. Use the understanding of the agency and its environment to consider inherent risks, including fraud risks related to inventory controls.
2. Obtain an understanding of internal controls over inventory.
3. Assess the risks and controls inherent to the inventory process.
4. Ensure that the staff members charged with performing the inventory are aware of the proper processes for counting inventory.
5. Observe that inventory on hand is being accurately recorded.

Scope: Inventory at the main Fleet distribution warehouse and the Radio Road location for the 2023 fiscal year was in scope.

OIG conducted onsite observations of the year-end count that were in progress in October. We conducted surveys and performed control substantive tests through onsite walkthroughs regarding inventory security, purchases, receiving, recording, use, and disposal. We also performed analytical reviews of inventory transactions recorded during the 2023 fiscal year.

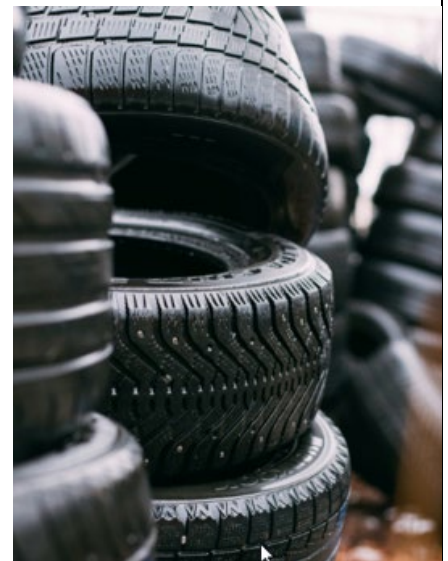
Observations: Fleet staff was very accommodating during the onsite review. OIG observed the year-end process to validate inventory counts.

What's Working:

- ✓ Fleet utilizes a barcoding system to enable blind counts in an efficient and accurate manner.
- ✓ Count variances are independently reviewed prior to adjusting the inventory system.

For Further Review:

- Fleet staff indicated they are using a moving-average to perform the inventory valuation; however, the Annual Comprehensive Financial Report footnotes indicate FIFO is used.



Overall, OIG was impressed with Fleet’s year-end processes for inventory count validation. Accordingly, OIG has suggested that other Departments leverage the barcoding technology and methodology.

Recommendations & Actions: Financial footnotes should reflect methods used.

The OIG will be working with Fleet management to review and formally document the overall process, risks, and controls, and the OIG may perform further substantive testing on key controls in 2024.

Conclusion Inventory internal controls at Facilities are operating effectively to provide reasonable assurance that employee job duties are properly segregated, and inventory transactions are valid and recorded in the appropriate accounting period.

Total # Transactions	Amounts Audited or Reviewed	Questioned Costs	Taxpayer Savings	# Observations / Recommendations
1	\$ 405,868.34	N/A	N/A	2