



Inspector General Insights

Background: Unannounced 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.

Objective: The objective of the unannounced inventory audit 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.

Scope: Inventory at the main Public Utilities Department (PUD) distribution warehouse for the 2023 fiscal year was in scope. OIG conducted onsite observations of the year end count that were in progress in October. We also 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: PUD staff was very accommodating during the onsite review. OIG worked with management to identify and document 23 primary controls supporting 7 key process objectives related to the inventory process. Due to staff turnover and leave impacting the audit, the audit of inventory controls has been postponed until May 2024.

What's Working:

- ✓ PUD Management has direct view of live security camera footage to ensure oversight of inventory.
- ✓ The Inventory team has an effective methodology to ensure year end count validations are conducted efficiently and effectively with limited resources.

Needs Improvement:

- Policies regarding inventory are inadequate.
- User access review needs to occur timely.

Management Response: *The Cityworks Administrator utilizes a weekly termination report from HR to remove employees from application access, however that report does not include keystaff. Managers have been instructed to complete a status change report to the Administrator for all keystaff. Mr. Ovideo and Villaqmonte have been removed. Mr. Braimy was hired as an FTE directly from keystaff, so his status in Cityworks has been updated to FTE (see attached). Cityworks System Access Request Forms are now included in our employee termination checklist.*

Recommendations & Actions: OIG will be working with Management to finish reviewing key inventory process controls, and further control testing will be conducted.

Conclusion OIG will defer our conclusion regarding the assurance of objectives until the audit is completed.

| Total # Transactions | Amounts Audited or Reviewed | Questioned Costs | Taxpayer Savings | # Observations / Recommendations |
|----------------------|-----------------------------|------------------|------------------|----------------------------------|
| 1 | \$4,285,785.90 | \$0.00 | \$0.00 | 2 |