

**POST AUDIT REPORT
PUBLIC UTILITIES
WATER TREATMENT PLANT
PAR 21-06**



WEST PALM BEACH

Internal Audit

May 6, 2021

**City of West Palm Beach
Internal Auditor's Office**

Beverly Mahaso Esq., CIA, CFE
Chief Internal Auditor

May 6, 2021

Audit Committee
City of West Palm Beach
401 Clematis Street
West Palm Beach, Florida

**RE: POST AUDIT REPORT OF PUBLIC UTILITIES WATER TREATMENT PLANT
(PAR 21-06)**

Dear Audit Committee Members:

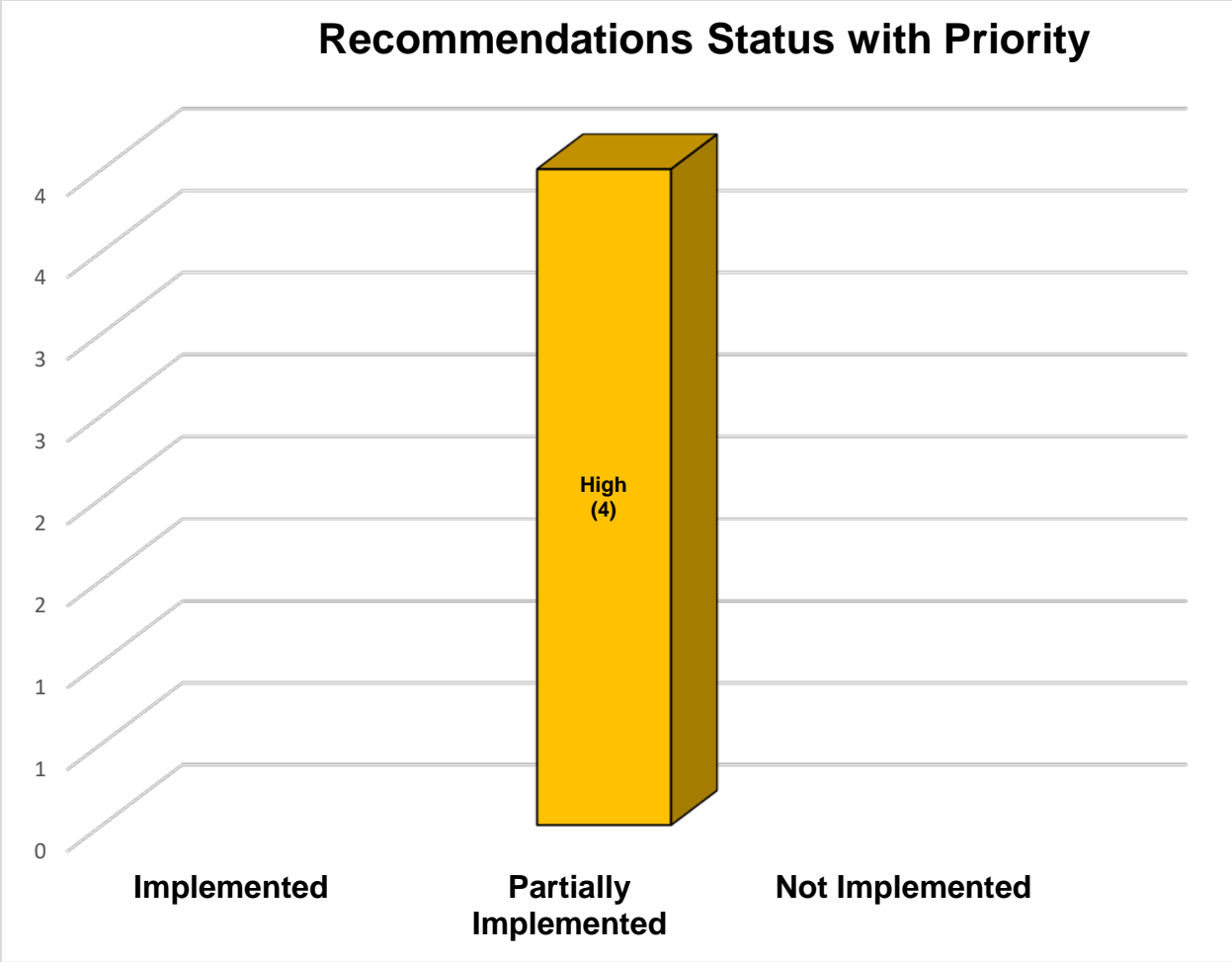
In FY 2019, the Internal Auditor's Office released an audit of the Water Treatment Plant (**AUD18-01**) within the Public Utilities Department. We performed certain procedures, as enumerated below, with respect to activities of the Water Treatment Plant in order to render a conclusion on the status of the recommendations made as a result of that review.

This Post Audit Report (PAR) consisted primarily of inquiries of City personnel and examinations of various supporting documentation. It was substantially less in scope than an audit in accordance with generally accepted government auditing standards.

The evidence obtained provided a reasonable basis for our conclusions; however, had an audit been performed, other matters might have come to our attention that would have been reported to you and our conclusions may have been modified.

The audit contained four (4) recommendations that addressed the audit's findings. Based on the review performed, we concluded that all four recommendations were partially implemented.

We have enclosed a table listing all the recommendations with the current statuses. We found that management made significant efforts to take corrective action. Further, we note that the Water Treatment Plant is actively continuing to make improvements. As such, additional steps may have been taken to implement the recommendations after the conclusion of this Post Audit Review. We will conduct another Post Audit Review in approximately 6 to 12 months, resources permitting, at which time we will review all additional changes made after the conclusion of this Post Audit Review.



We thank the personnel from the Water Treatment Plant for their assistance in conducting this review and on continuing implementation efforts.

Respectfully Submitted,

s/ Beverly Mahaso
 Chief Internal Auditor

cc:

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| Joseph Peduzzi, Commission President | Keith James, Mayor |
| Kelly Shoaf, Commissioner | Faye Johnson, City Administrator |
| Christy Fox, Commissioner | Poonam Kalkat, Public Utilities Director |
| Christina Lambert, Commissioner | |
| Shalonda Warren, Commissioner | |

Encl.

POST AUDIT REPORT PUBLIC UTILITIES WATER TREATMENT PLANT

Legend
■ Implemented
■ Partially Implemented
■ Not Implemented

AUDIT RECOMMENDATIONS

No.	Auditor's Condition and Recommendation	Management's Initial Response	Auditor's Status Update
1 High Priority	<p>Condition: The Water Treatment Plant does not have a Disaster Recovery Plan or a Business Continuity Plan in place. Although there is a Hurricane Plan and an Emergency Response Plan, these do not take into account any type of long-range disaster impact. Further, Public Utilities has not performed either a Disaster Risk Assessment or a Business Impact Analysis to strengthen the Plant's ability to continue functioning in the event of either a man-made or natural disaster.</p> <p>Recommendation: In order to ensure business continuity in the event of an emergency, the Department should establish a robust plan, which addresses how critical operations would resume in the event of the most likely disaster scenarios, which will enable the plant to assess future operation needs, as well as enhance its asset management program.</p>	<p>Management's Initial Response December 2018: Utility Administration and Water Plant Management will complete a plan documenting steps for short and long term recovery after a disaster to ensure continued plant operations to produce water. The plant has an Emergency Response Plan and a Hurricane preparedness and Recovery plan already in place. The Business Continuity Plan will be an additional plan developed to address continued plant operations in case of a disaster.</p> <p>Target Implementation Date: Third Quarter FY19</p>	<p>AUDITOR'S STATUS UPDATE PARTIALLY IMPLEMENTED UPDATE AS OF MARCH 2021 Based on the review we conducted, we found that this recommendation was partially implemented. The Public Utilities Department made progress in drafting a more comprehensive emergency response plan which is in its final stages of revisions and approvals. However, additional work is needed to ensure that long term recovery plans after a disaster are completed such that plant operations continue without disruption. We were advised by management that a new target implementation date is March 31, 2021.</p>
2 High Priority	<p>Condition: This finding has been omitted due to the increased risk of threats to security that may be created. Public Utilities received the full finding and</p>	<p>Management's Initial Response December 2018: Management agreed with the recommendation.</p>	<p>AUDITOR'S STATUS UPDATE PARTIALLY IMPLEMENTED UPDATE AS OF MARCH 2021 Based on the review we conducted, we found that this recommendation was</p>

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	<p>agreed to the recommendations. We note that in conjunction with City Administration, Public Utilities is taking measures to address the concerns identified.</p>		<p>partially implemented. The Public Utilities Department has made progress, but work is still ongoing. The target implementation date provided by management is 2022.</p>
<p>3 Medium Priority</p>	<p>Condition The Water Treatment Plant does not have an adequate warehouse or storage facility for safeguarding inventory. At the time of our review, equipment, material, and supplies were stored in approximately 12 large, corrugated steel shipping-style containers on the property. Other materials were scattered around the area adjacent to the containers and were exposed to the weather and potential theft. There is no set organization to the storage methodology. During our site visit, we observed the following items stored outside:</p> <ul style="list-style-type: none"> Items that appeared to be new, shrink wrapping still attached; Small parts and tools; Containers marked flammable; and Equipment that had a clear manufacture date of 2017. <p>In addition to not having a warehouse function, the Water Treatment Plant does not have a current listing of all equipment, parts, and supplies on</p>	<p>Management’s Initial Response December 2018: Utility Administration and Water Plant Management will establish a process to review existing inventory at all locations in the plant. Based on the list, a system will be established to safeguard the items and controlled issuance in the short term. Target Implementation Date: Third Quarter FY20</p>	<p>AUDITOR’S STATUS UPDATE PARTIALLY IMPLEMENTED UPDATE AS OF MARCH 2021 Based on the review we conducted, we found that this recommendation was partially implemented. The Public Utilities Department made significant efforts to implement the recommendation and as of March 2021, they were in the final testing phase of the ARC GIS Survey System which should better manage inventory and is compatible with their work tablets. We were advised by management that the new target implementation date is June 30, 2021.</p>

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	<p>hand, or a minimum necessary supply of basic parts for either preventive or corrective maintenance on hand. The Plant Manager advised that an inventory had been conducted, listing what was on the property at a given point in time. However, it had not been updated with additions and deletions.</p> <p>We noted that the storage areas are accessible to employees. Further, employees are not required to record or track items taken from the storage areas. Inventories do not have an allocated space in the storage areas. Finally, there are no procedures for identifying obsolescence or shrinkage.</p> <p>Recommendation</p> <p>The Department should take steps to implement a basic system of inventory controls, including establishment of a warehouse and inventory control function. A baseline inventory should be established so that supervisors will be better able to anticipate and plan for maintenance needs, thus reducing reliance on P-cards. Inventory should be periodically reconciled in accordance with standard inventory management practices.</p>		
<p>4 High Priority</p>	<p>Condition: The Water Treatment Plant does not have a methodology or consistent process in place to manage, track, and reconcile the inventory of</p>	<p>Management's Initial Response December 2018: Utility Administration and Water Plant Management is reviewing inventory control practices and will</p>	<p>AUDITOR'S STATUS UPDATE PARTIALLY IMPLEMENTED UPDATE AS OF MARCH 2021 Based on the review we conducted, we found that this recommendation was</p>

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	<p>equipment, parts and supplies used in operations. It was anticipated that HiperWeb would schedule, plan, manage, and track maintenance of equipment, including parts inventory and labor. At the current time, the inventory module of HiperWeb has not been implemented, nor has HiperWeb been interfaced with Oracle. Utilities Administration has advised that they do not believe it would be cost-effective to establish an interface between the two systems. An interface would avoid dual data entry into both Oracle and HiperWeb for purposes of requisition, receiving, and usage, as well as labor costs. Based on the aforementioned, we determined that the Department may still be able to gain efficiencies and improve inventory management by implementing HiperWeb's inventory module.</p> <p>Recommendation: The Department should work to establish the inventory module of HiperWeb and input related labor costs in order to progress with a comprehensive job-order costing system for the WTP.</p>	<p>establish an organized system for taking stock inventory of current equipment, materials and supplies in all locations including trucks. A system will be established to control issuance and tracking of equipment, materials and supplies in the short and long term.</p> <p>Target Implementation Date: Third Quarter FY20</p>	<p>partially implemented. The Public Utilities Department has been using HiperWeb but not the inventory module. Hiperweb will be used for monitoring labor costs and hours. The Public Utilities Department decided to use the ARC GIS Survey System to track the inventory. The ARC GIS Survey System is currently in the final testing phase. We were advised by management that the new target implementation date is June 30, 2021.</p>
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