

POST AUDIT REPORT WAREHOUSE AND INVENTORY PAR22-05



WEST PALM BEACH

Internal Audit

December 21, 2022

City of West Palm Beach Internal Auditor's Office

Beverly Mahaso Esq., CIA, CFE
Chief Internal Auditor

December 21, 2022

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

RE: POST AUDIT REPORT OF WAREHOUSE AND INVENTORY (PAR22-05)

Dear Audit Committee Members:

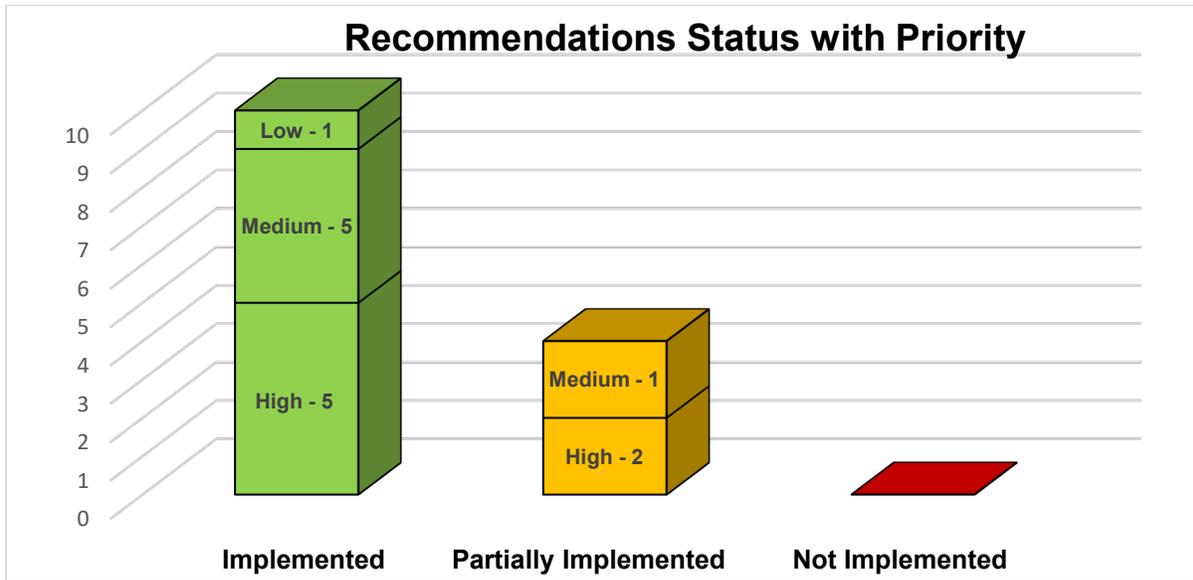
In FY 2015, the Internal Auditor's Office released an audit of Warehouse and Inventory **(AUD14-06)**. Subsequently, we performed certain procedures, as enumerated below, with respect to activities of the audit to render a conclusion on the status of the recommendations made as a result of that review.

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 fourteen (14) recommendations that addressed the audit's findings. Upon completion of this PAR, we concluded that 11 recommendations were fully implemented, and 3 recommendations were partially implemented.

We have enclosed a table listing all the recommendations with the current statuses. We found that management has continued to take corrective action. Thus, additional corrective action may have been taken after the conclusion of this review.



We thank the personnel at the Public Utilities Department for their assistance in conducting this review and on continuing implementation efforts.

Respectfully Submitted,

/s/ Beverly Mahaso
 Chief Internal Auditor

cc: Christy Fox, Commission President
 Christina Lambert, Commissioner
 Joseph Peduzzi, Commissioner
 Shalonda Warren, Commissioner
 Cathleen Ward, Commissioner

Keith James, Mayor
 Faye Johnson, City Administrator
 Victor Carosi, Public Utilities Director

Encl.

POST AUDIT REPORT WAREHOUSE AND INVENTORY

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■ Implemented
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AUDIT RECOMMENDATIONS

No.	Auditor's Condition and Recommendation	Management's Response	Auditor's Status Update
1 High Priority	<p>CONDITION: The warehouse is in a state of total disrepair. It is dark and humid, it is not air conditioned, and there are no emergency lights. We noted that items are being temporarily stored between the aisles making it easy for the staff to trip over. Years ago, the City began the implementation of a bar code system, but the project was inadequately funded and was abandoned mid-way through implementation. The roof has not been repaired recently and in rainy weather, especially during hard rain, it leaks through the old sky lights. The loading dock's metal plate has begun to separate from the concrete, becoming a tripping hazard. In addition, we noted that the railing on the stairs was unstable; it had separated from the concrete. Also, there was vegetation growing where the concrete had cracked. During our tour of the warehouse yard, we noted significant inventory placed outside exposed to the weather, which appeared to have not been moved in years. Finally, the equipment assigned to the warehouse, including the two forklifts and the two delivery vans, appear to be quite old.</p>	<p>INITIAL MANAGEMENT RESPONSE: We concur with this recommendation. We will immediately begin to address safety issues at the warehouse. The Risk Manager has already conducted a site visit and has prepared a list of items that are currently being addressed. See Appendix B. A cross-functional team has been formed to implement process improvements and develop a long-term plan to ensure the warehouse is operated in an efficient manner. The warehouse will be transitioned to the Utilities Department by September 30, 2015, and many of the best practices they have instituted will be duplicated. A budget for capital improvements will be developed and submitted for the 2016 capital improvement plan.</p> <p>MANAGEMENT UPDATE 08/2015: This is the status of the various recommendations the auditor made in regards to the physical state of the warehouse: - Dark , humid, no A/C, no emergency lighting- lights have been purchased, but cannot be installed prior to the installation of the new racks. The Warehouse Supervisor expects to</p>	<p>PARTIALLY IMPLEMENTED DECEMBER 2022</p> <p>Based on our assessment of the warehouse and its conditions, we found that some corrective actions were taken to partially implement this recommendation. Physical improvements were made throughout the warehouse and newer equipment was purchased to improve safety. Although improvements were made, inventory is still being stored outside exposed to the elements and a bar-coding system has not yet been implemented. We were advised that it may take years to implement a bar-coding system.</p>

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	<p>One of the fork lifts was put into service twenty (20) years ago in the summer of 1994.</p> <p>RECOMMENDATION: We recommend that the Procurement Director addresses the conditions described in opportunity for improvement #1 with Administration and obtain emergency funding to allow him to bring the facility up to appropriate warehouse standards. Please note that implementing a bar coding system will be most helpful to the warehouse staff. Utilizing a network of hardware and software to automate data collection where hand recording is neither timely nor cost effective will clear time for them to address other pending issues within the facility. We recommend that a team be formed including the two warehouse clerks and IT employees to evaluate the situation, research available options and implement the one best suited for this warehouse environment. We also noted during our tour of the City of Miami warehouse that its manager utilizes the services of other City employees familiar with inventory and the inventory process during peak times like mornings when department representatives pick up their orders. These are usually</p>	<p>complete these projects by December 2015.</p> <p>-Storing items between aisles- this is still the case since items need to be removed from the old racks.</p> <p>-Bar code system- the goal of management is to start using a software named "Hyperweb", which has bar code capabilities. The Warehouse Supervisor is waiting on the Utilities and IT Directors to approve the purchase.</p> <p>-Leaking roof- the supervisor is collecting quotes for the repairs. Only one (1) quote has been received so far and it is considered high. The problem with the roof has become even more serious. During a recent thunderstorm not only the roof of the warehouse was leaking, but also the roof of the interior office.</p> <p style="padding-left: 40px;">-Loading dock metal plate – painted yellow, but still separating from the concrete. The supervisor expects to remedy this by December 2015.</p> <p style="padding-left: 40px;">-Railing on the stairs- fixed and painted.</p> <p>-Vegetation- removed, for the most part.</p> <p>-Warehouse yard- significant inventory still stored outside exposed to the weather. The supervisor plans to move these to the ECR.</p> <p>-Old equipment- the older forklift was retired and a new one was rented. The</p>	

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	<p>tradespeople who have availability for a limited time. Their help is essential since it relieves the warehouse staff and allows them to focus on other tasks. Management may wish to consider this approach to address the warehouse staffing issue further discussed in our finding No. 8.</p>	<p>Van was also retired, now there is only one delivery vehicle with an open bed. It was brought to our attention that currently the warehouse building still belongs to the Purchasing Department and it needs to be legally transferred to the Public Utilities Department in order for the more serious repairs to commence.</p> <p>MANAGEMENT UPDATE 06/2016: New racking and lighting has been purchased and installation is 75% complete. Expected completion date is March 31, 2017. All offices, breakrooms and restrooms have A/C. Items stored between the aisles are being placed on the shelves as they are installed. We have been working closely with the IT Department and will begin implementing the software change as it fits into IT's schedule. Bids were sent out to repair the leaking roof, but responses were not received. We are in the process of weatherproofing the office to provide extra protection until the main building roof is repaired; this should be completed by December 31, 2016. The loading dock has been completely replaced with a newer model. Building- This was discussed with legal and it was determined that Utilities could make repairs to the building.</p> <p>MANAGEMENT UPDATE 07/2017:</p>	

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		<p>New racking and lighting has been purchased and installation is 100% complete. Items stored between the aisles have been placed on the shelves. The Public Utilities Department has been working closely with the IT Department on obtaining a new barcoding system, but it is still a few years away. A new Request for Proposal (RFP) will be sent out regarding the repairs to the leaking roof. The offices have been waterproofed. Regarding the inventory being kept in the yard, very few items are left in the yard, however, warehouse staff will build a cover and keep the expensive items there. The updated target implementation date is November 2018.</p> <p>In addition, the old equipment is being replaced with new equipment shortly. MANAGEMENT UPDATED 11/2018: The Warehouse roof repair was completed in August 2018.</p>	
<p style="text-align: center;">2 Medium Priority</p>	<p>CONDITION: During our tour of the warehouse, we noted that the gate was open. Upon inquiry of the warehouse staff, we noted that it is normally open (from 07:00 am to 04:00 pm Monday through Friday). Furthermore, there are a total of five (5) bay doors (4 leading in the main warehouse and 1 leading into the adjacent concrete room), all are kept</p>	<p>INITIAL MANAGEMENT RESPONSE: We agree with this recommendation. An entry control system to the warehouse will be researched and a budget request will be made as part of the 2016 Capital improvement plan. MANAGEMENT UPDATE 08/2015: Only the bay door in the front is kept open during business hours and a</p>	<p>IMPLEMENTED DECEMBER 2022</p> <p>Based on our assessment, we found that sufficient corrective actions were taken to satisfy this recommendation. All doors except one have been closed and secured and are only accessible by a badge swipe. The remaining open bay door is secured by a scissor gate</p>

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	<p>unlocked during business hours. There are four (4) push bar style doors leading into the warehouse, only one is keyed. A hand recognition device was installed at one of these doors and operated until ten (10) years ago when management declined to spend money to fix it. There is one (1) regular door leading into the concrete room, which is kept open during business hours.</p> <p>RECOMMENDATION: We recommend that the Procurement Department research and obtain an entry control system, which allows City employees to enter the warehouse via a swipe of their ID cards. The number of people entering can be further reduced by granting access to select employees. The use of a system such as this will also allow for the identification of the people who enter the warehouse. Also, the system should allow outside delivery personnel to call, for example the Fleet office, and be allowed entry. Finally, we recommend that the doors are kept locked at all times and opened upon request.</p>	<p>gate was installed to prevent anyone from freely entering the warehouse itself. Also, a new badge entry system was installed in the place of the old (broken) hand recognition device. Now only the three staff assigned to the warehouse may access it when the bay door is not open. A Traffic/Parking study is commencing in November, which will help management decide on a more centralized entry to the Complex. It was brought to our attention that the door of the concrete room is in dire need of repair. It's rollers are not on the tracks and the stopper on top is missing thus presenting a serious hazard to anyone in close proximity.</p> <p>MANAGEMENT UPDATE 06/2016: A Traffic/Parking study is commencing in October 2016, which will help management decide on a more centralized entry to the Complex. The overhead door in the concrete room has been replaced.</p> <p>MANAGEMENT UPDATE 07/2017: The General Services Manager is working with a consultant to develop a master plan for the Complex, which includes an alternative drop-off point. The updated target implementation date is December 2018.</p> <p>MANAGEMENT UPDATE 11/2018: Same as above. However, based on</p>	<p>that is only accessible through a badge swipe. Access to the warehouse has been limited to authorized warehouse management and employees.</p>

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		discussions with the Engineering Department, an alternative drop-off point may not be possible.	
3 Medium Priority	IMPLEMENTED	IMPLEMENTED	IMPLEMENTED NOVEMBER 2018
4 Low Priority	IMPLEMENTED	IMPLEMENTED	IMPLEMENTED JUNE 2016
5 Medium Priority	IMPLEMENTED	IMPLEMENTED	IMPLEMENTED JULY 2017
6 Medium Priority	IMPLEMENTED	IMPLEMENTED	IMPLEMENTED JULY 2017
7 High Priority	IMPLEMENTED	IMPLEMENTED	IMPLEMENTED NOVEMBER 2018
8 High Priority	IMPLEMENTED	IMPLEMENTED	IMPLEMENTED JUNE 2016
9 High Priority	IMPLEMENTED	IMPLEMENTED	IMPLEMENTED JULY 2017

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10 Medium Priority	IMPLEMENTED	IMPLEMENTED	IMPLEMENTED AUGUST 2015
11 High Priority	<p>CONDITION: In the past, cycle counts were performed weekly. The discrepancy reports resulting from these cycle counts were kept by the Procurement Division (now the Purchasing Department). Currently, cycle counts are not performed. Also, monthly, the perpetual inventory records were reconciled to the general ledger. Currently, this is only done once a year. In the past, an outside firm was hired to do a count of the entire inventory once a year. Upon inquiry, a complete count has not been conducted since 2012. This last count was conducted entirely by City employees, including the two store clerks.</p> <p>RECOMMENDATION: We recommend that the Procurement Department re-initiates cycle counts and complete yearly inventory counts to help ensure that records are brought up-to-date and are complete and accurate. The yearly inventory counts should be done using personnel outside of the Procurement Department, if possible, if an outside</p>	<p>INITIAL MANAGEMENT RESPONSE: We concur with this recommendation to re-initiate cycle counts and complete yearly inventory counts. We will conduct a physical inventory and reconciliation to our accounting records prior to transfer of operations to the Utilities Department. We anticipate a completion date by July 2015.</p> <p>MANAGEMENT UPDATE 08/2015: An inventory count was completed on May 5, 2015, by a team of warehouse and procurement personnel. With the warehouse currently undergoing a re-organization and lacking proper labeling of items, the involvement of outside personnel is not feasible.</p> <p>MANAGEMENT UPDATE 06/2016: New labels are applied as the new racks are installed and merchandise is put in place.</p> <p>MANAGEMENT UPDATE 07/2017: Per discussion, cycle counts are performed once a quarter, but monthly reconciliations are not being performed. Furthermore, the entire inventory has not been counted since 2015. The updated target</p>	<p>PARTIALLY IMPLEMENTED DECEMBER 2022</p> <p>Based on our assessment, we found that this recommendation was partially implemented. Some annual inventories were completed, and some are still outstanding. Further, perpetual inventories with monthly reconciliations have not been implemented and an implementation date has not been set.</p>

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	firm cannot be contracted. In addition, the perpetual inventory should be reconciled monthly to the general ledger.	implementation date is March 2018. MANAGEMENT UPDATE 11/2018: The Central Warehouse annual physical inventory count was completed on 06/07/2018 and 06/08/2018. Discrepancies were identified and are being addressed by reviewing SOP's and ensuring SOP's are followed and warehouse personnel are trained in cycle counts and other aspects of warehouse duties. The Public Utilities Warehouse physical inventory count will take place in December 2018. Recurring cycle counts for both the Central and Public Utilities Warehouses will be implemented. New target date is January 2019.	
12 High Priority	IMPLEMENTED JULY 2017	IMPLEMENTED	IMPLEMENTED
13 Medium Priority	CONDITION: Upon inquiry of the warehouse staff, general inventory items rarely become obsolete and thus are not examined. Also, utilities inventory items are seldom examined and the ones that have become obsolete are sold for scrap. Overall, it is up to the Procurement Director or his designee to direct staff regarding inventory obsolescence identification and disposal procedures; however, no	Initial Management Response: We concur with this recommendation. Obsolete items will be identified during the upcoming physical inventory and will be appropriately disposed of no later than September 30, 2015. MANAGEMENT UPDATE 08/2015: In order to achieve maximum efficiency this recommendation will be implemented along with the new rack's installation. MANAGEMENT UPDATE	PARTIALLY IMPLEMENTED DECEMBER 2022 Based on our review, we found that some corrective actions were taken to partially implement this recommendation. A process to remove surplus/obsolete items has been implemented with the use of Property Disposition Forms which are submitted to and processed by the Procurement Department. Although the surplus

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	<p>formal obsolescence identification and disposal process and procedure has been provided or carried out.</p> <p>RECOMMENDATION: We recommend that the Purchasing Department implement procedures for periodic review of inventory records and physical inventory to identify items that may be obsolete and dispose of them in the most appropriate and timely manner. We also recommend that those with technical expertise relating to specific inventory items be consulted when evaluating items for obsolescence.</p>	<p>06/2016: The installation of the new racks is ongoing. Operations and Management staff are assisting in this task with close supervision by the warehouse supervisor. The estimated completion date is December 2016.</p> <p>MANAGEMENT UPDATE 07/2017: Per discussion, the new policies and procedures stipulate how warehouse staff should handle slow moving and/or obsolete materials. In addition, many of the items have been identified and warehouse staff are awaiting instructions for disposition by the owner departments. The updated target implementation date is December 2018.</p> <p>MANAGEMENT UPDATE 11/2018: Public Utilities will run a turn-over report. Once obsolete items are identified, there will be surpluses per the SOP's. Inventory on-hand quantities and reorder points will be adjusted accordingly.</p>	<p>process has been implemented, the process is not completed in a timely manner and surplus/obsolete items are housed at the warehouse. Further, items that are no longer in use are stored and maintained at the warehouse. As a result, these items consume space that is needed for inventory that is utilized more frequently.</p>
14 High Priority	IMPLEMENTED	IMPLEMENTED	IMPLEMENTED AUGUST 2015