



**EXECUTIVE SUMMARY**  
**Department of Public Works**  
**Inventory Management of Consumable Parts, Supplies, and Materials Inventory**  
**Report No. 18-07, December 2018**

Our audit found that DPW's Supply Warehouse inventory management systems did not produce accurate inventory records to properly account for and safeguard DPW's consumable inventories from fiscal year (FY) 2014 through FY 2017. The Supply Warehouse used three inventory management systems: stock cards, Excel spreadsheets, and the Ron Turley Associates Fleet Management Software (RTA) simultaneously, which did not reconcile with one another. As a result, DPW's consumable inventory records were inaccurate and unreliable, and consequently, exposed inventories to potential misappropriation.

There were numerous discrepancies amongst the inventory records because the Supply Warehouse did not perform periodic reconciliation of the three inventory management systems. In our physical count of 34 sample inventory items, we found discrepancies in 21 items and instances that the Excel spreadsheets and stock cards did not reconcile.

The Excel spreadsheets used to account for the consumable inventories had pervasive, erroneous calculations resulting in \$45 thousand net understatement. Several inventory balances in the Bus Operations Divisions were manually inputted, and balances remain unchanged for the four-year period despite the decrease or increase in the quantities. Some formulae in the Excel spreadsheets were incorrectly applied, which resulted in incorrect year-end inventory amounts.

A physical inventory count was performed in FY 2016 wherein DPW reported no variances. However, our review of FY 2017 Excel spreadsheets showed variances that have already existed in the past inventory records.

Despite the Supply Warehouse's implementation of the RTA for almost two years now, DPW management has not provided a target date to phase out the stock cards and Excel spreadsheets. Because the Supply Warehouse's three inventory management systems do not reconcile with one another, DPW's inventories carry a higher risk of inventory misappropriation.

We made the following recommendations to DPW's management: (1) create written policies, procedures, and guidelines for the RTA; (2) revisit, revise, and enforce written inventory management policies and procedures; and (3) provide staff with necessary training on inventory management.

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