

Clerk of the Circuit Court and Comptroller
Regular Public Meeting
June 23, 2015

2. Reports received for filing:

- a. Reports of Expenses Incurred Under Incentives, Awards, and Recruitment Ordinance No. 07-26 for the quarters ended June 30, 2014, September 30, 2014, and December 31, 2014.
- b. Pinellas County Quarterly Donation Listings of \$500 or More for the periods ended September 30, 2014, December 31, 2014, and March 31, 2015.
- c. Quarterly Investment Report for the Period Ended December 31, 2014.
- d. Division of Inspector General, Clerk of the Circuit Court and Comptroller, Report No. 2015-09 dated May 28, 2015 – Follow-Up Audit of Pinellas County BCC Cellular Phone Stipend Program.
- e. Division of Inspector General, Clerk of the Circuit Court and Comptroller, Report No. 2015-10 dated May 28, 2015 – Audit of Real Estate Management Warehouse Inventory Controls.



DIVISION OF INSPECTOR GENERAL

KEN BURKE, CPA

**CLERK OF THE CIRCUIT COURT AND COMPTROLLER
PINELLAS COUNTY, FLORIDA**

AUDIT OF REAL ESTATE MANAGEMENT WAREHOUSE INVENTORY CONTROLS



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Inspector General/Chief Audit Executive

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MAY 28, 2015
REPORT NO. 2015-10



Ken Burke, CPA

CLERK OF THE CIRCUIT COURT AND COMPTROLLER
PINELLAS COUNTY, FLORIDA

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Recorder of Deeds
Clerk and Accountant of the Board of County Commissioners
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County Auditor

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May 28, 2015

The Honorable Chairman and Members of the Board of County Commissioners

We have conducted an audit of the Real Estate Management Warehouse Inventory Controls related to warehouse materials and supplies, excluding those associated with the Fleet Management Division.

Our audit objectives were to determine the adequacy of:

- Security of storing the materials and supplies.
- Reporting and monitoring inventory levels and transactions.
- Internal controls for ordering, receiving, and issuing materials and supplies.

We conclude:

- The security for storage of materials and supplies is adequate.
- Written policies and procedures need to be developed or updated for reporting and monitoring inventory levels, and for ordering, receiving, and issuing materials and supplies.

One Opportunity for Improvement is presented in this report recommending that written policies and procedures be required for most material transactions.

We appreciate the cooperation shown by the staff of the Real Estate Management Department during the course of this review. We commend management for their response to the recommendation and their quick response to develop and implement adequate policies and procedures.

Respectfully Submitted,

Hector Collazo Jr.
Inspector General/Chief Audit Executive

Approved:

Ken Burke, CPA*
Clerk of the Circuit Court and Comptroller
Ex Officio County Auditor
*Regulated by the State of Florida



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INTRODUCTION

Synopsis

Our review noted many sound actual practices in use by Real Estate Management for their materials and supplies. However, in most cases there was a lack of adequate documented policies and procedures and this results in weakened internal controls over these assets.

Scope and Methodology

Evaluate the internal controls related to the Real Estate Management Department's warehouse materials and supplies inventories, excluding those associated with the Fleet Management Division.

Our audit objectives were to determine the adequacy of:

- Security of storing the materials and supplies.
- Reporting and monitoring inventory levels and transactions.
- Internal controls for ordering, receiving, and issuing materials and supplies.

In order to meet these objectives we:

- Interviewed management and reviewed supporting documentation to obtain an understanding of the processes and any related policies and procedures.
- Toured warehouse facilities to review the security practices being utilized.
- Verified, on a sample basis, quantities of items actually in the warehouses to the quantities shown on inventory reports.

Our audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and the *Principles and Standards for Offices of Inspector General*, and accordingly, included such tests of records and other auditing procedures, as we considered necessary in the circumstances. The audit period was May 2014 through March 2015. However, transactions and processes reviewed were not limited by the audit period.

Overall Conclusion

We conclude that Real Estate Management's (REM) actual practices related to its warehouse inventories and supplies are generally adequate. However, adequate documented policies and procedures are not available for all warehouse inventory controls, which results in potential risks. The areas of greatest concern because of the lack of written policies and procedures include:

- Conducting physical inventories of the items in the warehouse
- Scrapping/disposal of inventory items
- Adjustments made to inventory quantities in the Maximo inventory system
- Types of reports to submit to REM management for their review
- Management approvals necessary for inventory adjustments, etc.

Developing and implementing documented policies and procedures for these areas would significantly strengthen the inventory controls of the materials and supplies in the warehouse.

Action Plan

FINDING NO.	FINDING (CAPTION) RECOMMENDATIONS	MANAGEMENT RESPONSES			IMPLEMENTATION STATUS	
		Concur	Partially Concur	Do Not Concur	In Progress	Planned
1	Adequate Documented Policies And Procedures Are Not Available For All Warehouse Inventory Controls.					
	Develop and implement adequate documented policies and procedures.	✓			✓	

Background

Real Estate Management Department's (REM) mission is to provide real estate support for County departments, agencies, and Constitutional Officers and to provide a safe, comfortable, and cost efficient work environment by an innovative team committed to communication, planning and service delivery. One of the divisions of REM is Facility Operations, which provides professional in-house and contracted services to maintain and operate County buildings.

The Facility Operations Division operates five storerooms across the County, including one in the County Corrections facility, with maintenance parts and supplies used to maintain and operate the facilities. The value of the inventory reports of items in these storerooms total approximately \$227,000 as of May 30, 2014.

REM Inventory Reports – May 30, 2014	
Location	Extended Cost
NW Storeroom, 303 Chestnut	\$52,438
CJC L-Room, 14250 49 th St.	\$11,779
CJC Main, 14250 49 th St.	\$93,758
Corrections/Detention, 14440 49 th St.	*\$2,993
South Storeroom, 545 1st Ave N.	\$65,972
Totals Reported Above	\$226,940

* Most items did not display any value due to their unique nature.

Also, there are certain consumable inventory type items that are not formally maintained in the REM storeroom inventory systems reported above. These items include small batteries, gloves, safety glasses, small plumbing parts, light bulbs, tape, etc.

OPPORTUNITIES FOR IMPROVEMENT

Our audit disclosed certain policies, procedures, and practices that could be improved. Our audit was neither designed nor intended to be a detailed study of every relevant system, procedure, or transaction. Accordingly, the Opportunities for Improvement presented in this report may not be all-inclusive of areas where improvement may be needed.

1. Adequate Documented Policies And Procedures Are Not Available For All Warehouse Inventory Controls.

Adequate documented Policies and Procedures are not available for all Real Estate Management (REM) warehouse inventory controls. Policies and Procedures are not available for the following processes:

- Conducting physical inventories of the items in inventory
- Scrapping/disposal of inventory items
- Adjustments made to inventory quantities in the Maximo inventory system
- Types of reports to submit to REM management for their review
- Management approvals necessary for inventory adjustments, etc.

It is management's responsibility to develop and implement written internal policies and procedures to perform key departmental processes, but this was not apparent in our review of REM's warehouse inventory controls.

The lack of documented policies and procedures leaves a significant void in any internal controls over the REM warehouse inventories. In addition to the potential risk of misusing County assets, any potential inaccuracy of stated quantities on-hand could pose inefficiencies to REM's efforts to perform timely repairs and maintenance to County facilities and property.

Written policies and procedures provide guidance that is necessary to properly and consistently carry out departmental functions at the required level of quality.

We recommend REM management develop adequate documented policies and procedures related to their various warehouse inventory processes.

Management Response:

REM Management concurs with the finding and recommendation and has started the development of policies and procedures related to our various warehouse inventory processes.



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PINELLAS COUNTY, FLORIDA

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