
CITY OF SAN ANTONIO

OFFICE OF THE CITY AUDITOR



Follow-Up Audit of Public Works Department

Equipment Inventory Management

Project No. AU22-F06

April 4, 2023

Kevin W. Barthold, CPA, CIA, CISA
City Auditor

Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted a follow-up audit of the recommendations made in the Public Works Department Equipment Inventory Management dated January 7, 2021. The objective for this follow-up audit is:

To determine if the recommendations made in the prior audit of Public Works Equipment Inventory Management have been effectively implemented.

We determined that Public Works has successfully implemented all three of the prior audit recommendations.

Public Works has updated policies and procedures for inventory management regarding receiving documentation and updating inventory records. Controls have also been established by Public Works for the proper tracking of inventory from purchase to usage. Lastly, Public Works has implemented new procedures to ensure SAePS user roles and warehouse badge access are appropriate.

There were no audit findings identified in this audit, and we make no recommendations. Consequently, no management responses are required. Management's acknowledgement of these results is in Appendix B on page 7.

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Background

On January 7, 2021, the Office of the City Auditor completed an audit of the Public Works Department Equipment Inventory Management. The objective of the audit was as follows:

Determine if Public Works is managing equipment inventory to include purchasing, warehousing, and usage.

The Office of the City Auditor concluded that Public Works did not have formal policies and procedures governing the use of equipment, supplies, and materials managed outside of the warehouse system. Additionally, receiving documentation was not adequately maintained. Inventory records were not accurate, and some non-consumable materials and supplies were not tracked from purchase to usage. Also, proper segregation of duties was not maintained among employee roles in SAePS. Lastly, access to the Northwest Service Center (NWSC) inventory warehouse was excessive.

The following recommendations were made:

- Update procedures to encompass the full inventory management process and strengthen controls over inventory to include:
 - Maintaining receiving documentation, and where feasible centralize the receipt of purchases
 - Ensuring accurate and timely documentation of inventory received and removed from stock
 - Centralizing documentation related to the receipt, tracking, and issuance of inventory items, where appropriate
- Establish controls to ensure that appropriate inventory can be tracked from purchase to usage
- Work with Finance to ensure consistent monitoring of SAePS roles for appropriate segregation of duties. In addition, ensure unnecessary badge access is removed and implement procedures to periodically review access to the inventory warehouse

Public Works Department management agreed with the conclusions and developed action plans to address the audit recommendations.

Audit Scope and Methodology

The audit scope was limited to the recommendations and corrective action plans made in the original report for the time frame from October 2021 to November 2022.

We interviewed Public Works staff members to gain an understanding of the updated policies and procedures for inventory management, the material assignment process, and the amended process of reviewing user access to SAePS and badge access to the inventory warehouse. We reviewed inventory packing lists to confirm they are being electronically maintained. Additionally, we tested inventory counts and inventory tracking spreadsheets to verify inventory counts are occurring timely and inventory records are updated appropriately.

We reviewed training documentation to confirm the staff has been trained in the updated inventory procedures. Furthermore, we reviewed material request sheets and work orders to confirm that non-consumable inventory is tracked from purchase to usage. Lastly, we reviewed the previous SAePS user role review and Door Access Report to verify appropriate access is given in SAePS and the inventory warehouse. Testing criteria included the updated Public Works Department Inventory Control Manual and the Public Works Procurement/Contracting Policy and Procedures Manual.

We assessed internal controls relevant to the audit objective. This included a review of department policies and procedures, physical inventory counts, department inspections of SAePS user roles and warehouse badge access, and Traffic Operations SQL Database work orders.

We relied on computer-processed data in SAP to validate the inventory items ordered in each purchase order. Our reliance was based on performing direct tests on the data rather than evaluating the system's general and application controls. Our direct testing included reviewing the details of purchase orders in SAP. We do not believe that the absence of testing general and application controls had an effect on the results of our audit.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Prior Audit Recommendations and Status

B. Inventory Management Policies and Procedures

Prior Recommendation:

The Public Works Director should update procedures to encompass the full inventory management process and strengthen controls over inventory to include:

- Maintaining receiving documentation, and where feasible, centralize the receipt of purchases
- Ensure accurate and timely documentation of inventory received and removed from stock
- Centralized documentation related to the receipt, tracking, and issuance of inventory items, where appropriate

Status: Implemented

Public Works has updated procedures in the Inventory Control Manual regarding inventory management. We reviewed the updated procedures and verified the procedures include key information related to the full inventory management process.

Public Works is electronically retaining packing slips within the Inventory Packing List folder. Public Works is also performing cycle counts weekly and full inventory counts quarterly and annually. Additionally, the warehouse staff has been trained in the updated inventory procedures. Inventory records also are properly updated as inventory is received and issued.

We reviewed a sample of 25 purchases to verify the packing slips were maintained. We determined that all 25 packing slips were properly maintained in the Inventory Packing List folder. Additionally, we reviewed a sample of 25 inventory items from the Northwest Service Center (NWSC) and a sample of 26 inventory items from the Southwest Service Center (SWSC) for testing. Overall, inventory records are being updated when inventory is received and issued. We observed variances for the sampled inventory items, however, they were immaterial.

Recommendation:

None

C. Material Assignment

Prior Recommendation:

The Public Works Director should establish controls to ensure that appropriate inventory can be tracked from purchase to usage.

Status: Implemented

All divisions of Public Works are now using the Daily Work Record (DWR) to track non-consumable materials, and the staff has received appropriate training for the DWR system. The DWR is a software system used to track the total cost of a job/project. Aside from the DWR, the Traffic Division continues to track materials in the Traffic Operations SQL Database for consistency.

We reviewed a sample of 25 Material Request Sheets from the NWSC to test if materials were tracked to usage. We determined that materials were reasonably tracked to usage within the Traffic Operations SQL Database. Additionally, we reviewed sign-in sheets to confirm the attendance of the Traffic Division staff to the DWR training session. We confirmed that the Traffic Division staff received training in the DWR system.

Recommendation:

None

D. Inappropriate Access

Prior Recommendations:

The Public Works Director should work with Finance to ensure consistent monitoring of SAePS roles for appropriate segregation of duties.

The Public Works Director should ensure unnecessary badge access is removed. In addition, implement procedures to periodically review access to the inventory warehouse.

Status: Implemented

Public Works is working with Finance to review the appropriateness of user roles in SAePS annually and is also working with the ITSD Security Team to ensure only appropriate badge access to the inventory warehouse is granted.

We reviewed the previous SAePS user role access review performed by Public Works in July 2022 to verify that user roles are being monitored. We determined that SAePS user roles are being monitored for appropriate segregation of duties. Also, we obtained a Door Access Report for the NWSC from ITSD to verify access

to the inventory warehouse was not excessive. We determined that badge access to the inventory warehouse was appropriate.


Recommendation:

None

Appendix A – Staff Acknowledgement

Buddy Vargas, CPA, CIA, CFE, Audit Manager
Michael Gutierrez, Auditor in Charge
Megan Dodd, Auditor

Appendix B – Management Acknowledgement



CITY OF SAN ANTONIO
SAN ANTONIO TEXAS 78283-3966

March 23, 2023

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
San Antonio, Texas

RE: Management's Acknowledgement of its Review of Public Works Equipment Inventory Management


The Public Works Department has reviewed the audit report and provided its comments to the auditors. As there are no recommendations for management, no management responses are required.


The Public Works Department:

☒ Fully Agrees

☐ Does Not Agree (provide detailed comments)

Sincerely,


Razi Hosseini
Director/City Engineer
Public Works Department


Roderick Sanchez
Assistant City Manager
City Manager's Office

3/29/2023
Date

3/30/2023
Date