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*Paula S. O'Neil, Ph.D.
Clerk & Comptroller
Pasco County, Florida*

July 16, 2014

The Honorable Jack Mariano, Chairman
Board of County Commissioners
Pasco County Courthouse
37918 Meridian Avenue
Dade City, Florida 33525

Dear Chairman Mariano:

On your behalf, the Division of Inspector General has completed an audit of the Fleet Management Inventory as of September 30, 2013. The purpose of our review was to determine that the inventory reported existed and was recorded accurately, and that controls over inventory were adequate and effective.

Except as noted in our report, we concluded that inventory reported existed and was properly recorded, and controls over the inventory were adequate and effective.

We appreciate the cooperation and assistance received from Fleet Management staff during this review. Please let us know if you wish to further discuss our comment and recommendation.

I am requesting that the Board receive and file this report, and also direct the County Administrator to implement the recommendations made by the Clerk & Comptroller.

Sincerely,

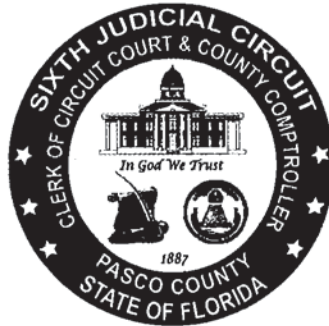
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PSO/pm

*Office of Paula S. O'Neil
Clerk & Comptroller
Pasco County, Florida*

**Pasco County Board of County Commissioners
Fleet Management Inventory Audit**

April 29, 2014



Division of Inspector General

Patrice Monaco, CIG, CGFO, Inspector General
Erika Hendricks, CIA, CFE, Senior Auditor
Michelle Bishop, CIA, CFE, Former Senior Auditor

Report No. 2014-01

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Table of Contents

	Page
Executive Summary	
Background Information	3
Objectives	3
Scope and Methodology	3
Overall Evaluation	3
Overall Conclusion	4
Findings & Recommendations	
Control Activities	4

Executive Summary

Background Information:

Fleet Management was responsible for maintaining all vehicles and equipment in the County's motorized inventory. Fleet Management parts inventories were maintained at three locations: the D&E barn in New Port Richey, the Fox Hollow Barn in Port Richey, and the C barn in Dade City. A computerized perpetual inventory system (FASTER) was used to track inventory records at each location. Parts purchased were recorded in expenditure accounts and parts issued were charged to the user departments through monthly rental and maintenance rates in the County's vehicle replacement program. Some repairs and maintenance were charged directly to the department. Cycle inventory counts were performed by Fleet staff on a monthly basis and all inventory items were counted at least once during the year. The control account in the General Ledger was adjusted to reflect inventory values at year-end.

Objectives:

The objective of the audit was to determine that the controls over inventory were adequate, inventory reported existed and the quantities and amounts recorded were accurate.

Scope and Methodology:

The audit period was October 1, 2012 through September 30, 2013. The Division of Inspector General observed, counted and tested the inventory records at each location as of September 30, 2013. The audit was neither designed nor intended to be a detailed study of every relevant system, procedure or transaction.

We randomly selected a five percent sample of stock items and additional items were judgmentally selected for testing. Audit procedures included but were not limited to: observing the physical inventories, reviewing inventory procedures, comparing physical counts to inventory records, verify inventory report totals, testing last items issued and receipted in system, reviewing monthly cycle count worksheets and verifying the unit price per the inventory system. Statistics related to Fleet Management's inventory and items tested were as follows:

	D&E Barn	C Barn	Fox Hollow	Total
Total items in inventory	1,417	713	307	2,437
Number of items tested	76	41	20	137
Percent of inventory tested	5.36%	5.75%	6.51%	5.62%
Total value of inventory	\$148,356.77	\$43,516.68	\$21,791.01	\$213,664.46
Value of items tested	\$ 8,980.13	\$ 3,206.31	\$ 819.78	\$ 13,006.22
Percent of value tested	6.05%	7.37%	3.76%	6.09%

Overall Evaluation

The Fleet Management staff was responsive to our inquiries and provided available information when requested. We found the staff to be very cooperative and were committed to helping us to identify all relevant data to bring this audit to a close.

It appeared procedures for reviewing, documenting and reconciling bulk items with large discrepancies during cycle counts could be improved.

The following table summarizes the findings contained within this report. For each finding, a page is referenced to where the details of each item can be found.

Finding	Description	Page Reference
1	Bulk items with large discrepancies were not reviewed during cycle counts.	4

Overall conclusion:

Except as noted in our report, we concluded that the inventory reported existed and was properly recorded, and the controls over the inventory were adequate. The inventory value for all three locations was \$213,664.46 as of 9/30/13. The control account in the General Ledger was adjusted \$60,244.02 to reflect an increase in the inventory value.

Findings & Recommendations

Control Activities: Listed below are findings that represent opportunities to strengthen the internal controls. For each finding, a recommendation has been included.

Finding 1

Bulk items with large discrepancies were not reviewed during cycle counts.

Bulk items were issued to work orders in the inventory system at the end of each month based on the monthly oil logs. Four bulk items included in our cycle count testing reflected discrepancies between the physical count and system quantity that ranged from -5.13% to 13.89% (C Barn- #MT424 on 3/13/13 and #CJ4 on 7/17/13 and 9/13/13; DE Barn- #FCA001 on 7/24/13). The cycle counts did not indicate or reflect that discrepancies were reviewed or corrections were made in the system. In addition, the oil dispensed date and time were not included on the monthly oil logs and we were unable to verify that discrepancies were included on the logs.

Due to shape and measuring methods, a five percent variance for bulk items was considered acceptable according to department procedures. Pursuant to Fleet Directive #26, any discrepancies found during monthly cycle counts should be recounted, researched and/or adjusted in a timely manner. Corrections should be made or an explanation should be documented on a worksheet.

Recommendation:

Review policies and procedures regarding cycle counts to ensure bulk items with large discrepancies are properly reviewed, documented and reconciled to the system quantity at time of count. Consider including oil dispense date and time on monthly oil logs to ensure discrepancies can be easily identified.

Management Response:

"Fleet has a budget issue that is currently out to bid to purchase a fluid dispensing system for all bulk fluids purchased for Fleet which should eliminate any discrepancies with fluid dispensing."

Corrective Action Plan:

"This system is out for bid."

Target Completion Date:

"We anticipate system to be in place by July of this year."