



Audit of Purchasing & Inventory Management at the Transit Division

Office of the County Auditor

Audit Report

Robert Melton, CPA, CIA, CFE, CIG
County Auditor

Audit Conducted by:

Kathie-Ann Ulett, CPA, Deputy County Auditor
Gerard Boucaud, CIA, CISA, CDPSE, Audit Manager
Luis Martinez, CISA, CDPSE, Information Technology Audit Supervisor
André Miller, CPA, CIA, CISA, CFE, Audit Senior
Bryan Thabit, CPA, Audit Senior
Lisa Lott, CIA, Audit Senior
Samuel Josepher, CPA, Audit Senior

Report No. 22-21
September 30, 2022



OFFICE OF THE COUNTY AUDITOR

115 S. Andrews Avenue, Room 520 • Fort Lauderdale, Florida 33301 • 954-357-7590 • FAX 954-357-7592

September 30, 2022

Honorable Mayor and Board of County Commissioners

We conducted an audit of purchasing and inventory management at the Transit Division (Transit). The objectives of our audit were to determine whether procurement transactions are for reasonable and necessary business purposes, in accordance with laws, rules, and regulations, and are purchased in the most cost-effective manner; and to determine whether procedures and controls over work order and inventory systems are adequate.

We conclude that procurement transactions are for reasonable and necessary business purposes, in accordance with laws, rules, and regulations, and are purchased in the most cost-effective manner. We conclude that procedures and controls over work order and inventory systems are not adequate. Opportunities for Improvement are included in the report.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient and 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.

We appreciate the cooperation and assistance provided by the Transit Division throughout our audit process.

Respectfully submitted,

A handwritten signature in blue ink that reads "Bob Melton".

Bob Melton
County Auditor

cc: Monica Cepero, County Administrator
Andrew Meyers, County Attorney
Kimm Campbell, Deputy County Administrator
Kevin Kelleher, Assistant County Administrator
Tim Garling, Deputy General Manager, Transportation Department

Broward County Board of County Commissioners

Mark D. Bogen • Lamar P. Fisher • Beam Furr • Steve Geller • Jared E. Moskowitz • Nan H. Rich • Tim Ryan • Michael Udine
www.broward.org

TABLE OF CONTENTS

INTRODUCTION	1
Scope and Methodology.....	1
Overall Conclusion	2
Report Organization	2
Transit Division Background	3
SECTION I: AREAS OF IMMEDIATE CONCERN	7
1. Inventory Distribution Procedures are not Consistently Followed, Increasing Risk of Misappropriation.....	7
2. Physical Security Controls Safeguarding Inventory Are Inadequate.	11
3. Purchasing Cards are not Deactivated or Cancelled Timely.....	14
SECTION II: PURCHASING	16
Background.....	16
SECTION II: OPPORTUNITIES FOR IMPROVEMENT	22
4. Master Agreements are not Consistently Utilized, Where Available.....	22
5. P-Card Program Requirements are not Consistently Followed.....	24
6. Monthly P-Card Activity Reviews by Agency Directors Require Enhancement.....	26
7. The P-Card Program Requires Enhancement.....	26
8. Capital Equipment are not Consistently Flagged in the Accounting System and Tagged..	27
SECTION III: INVENTORY MANAGEMENT	29
Background.....	29
SECTION III: OPPORTUNITIES FOR IMPROVEMENT	31
9. Inventory Purchase and Receiving Procedures are not Consistently Followed.....	31
10. Annual Physical Inventory Counts are not Conducted in Compliance with County Policy....	32
.....	
11. User Access to the Inventory System is not Adequately Designed to Enforce County Policies.	33
12. Significant Inventory Deficiency Threshold Should be Evaluated and Formally Approved. ...	36
.....	

13. Established Processes for Handling Obsolete, Surplus, or Damaged Inventory Require Enhancement.	37
14. Oversight of Physical Inventory Management Should be Enhanced.	38
MANAGEMENT’S RESPONSE	40

INTRODUCTION

Scope and Methodology

The Office of County Auditor conducts audits of Broward County's entities, programs, activities, and contractors to provide the Board of County Commissioners, Broward County's residents, County management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted an audit of purchasing and inventory management at the Transit Division (Transit). Our objectives were to determine whether:

1. Procurement transactions are for reasonable and necessary business purposes, in accordance with laws, rules, and regulations, and are purchased in the most cost-effective manner.
2. Procedures and controls over work order and inventory systems are adequate.
3. Any opportunities for improvement exist.

To determine whether procurement transactions are for reasonable and necessary business purposes and in accordance with laws, rules, and regulations, we reviewed purchasing policies and procedures, purchasing roles and responsibilities, monthly purchasing activity, transaction limits and restrictions, fixed assets, invoices, and master agreements. We also analyzed samples of purchase transactions and performed data analytics.

To determine whether the procedures and controls over work order and inventory systems are adequate, we reviewed inventory management policies and procedures, inventory management roles and responsibilities, inventory monitoring and reconciliation practices, inventory distribution and disposal, and physical security and access controls. In addition, we performed on-site observations, analyzed samples of inventory transactions, and performed data analytics.

We conducted this 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.

Our audit included such tests of records and other auditing procedures, as we considered necessary in the circumstances. The audit period was October 1, 2019, through December 31, 2021. However, transactions, processes, and situations reviewed were not limited by the audit period.

Overall Conclusion

We conclude that procurement transactions are for reasonable and necessary business purposes, in accordance with laws, rules, and regulations, and are purchased in the most cost-effective manner. We conclude that procedures and controls over work order and inventory systems are not adequate. Opportunities for Improvement are included in the report.

Report Organization

This report presents the results of our review of two major operational processes at the Transit Division and recommendations designed to address our observations. As such, a significant amount of material is included herein. To facilitate the review of this information, we have separated our audit results into the following sections:

Section I: Areas of Immediate Concern

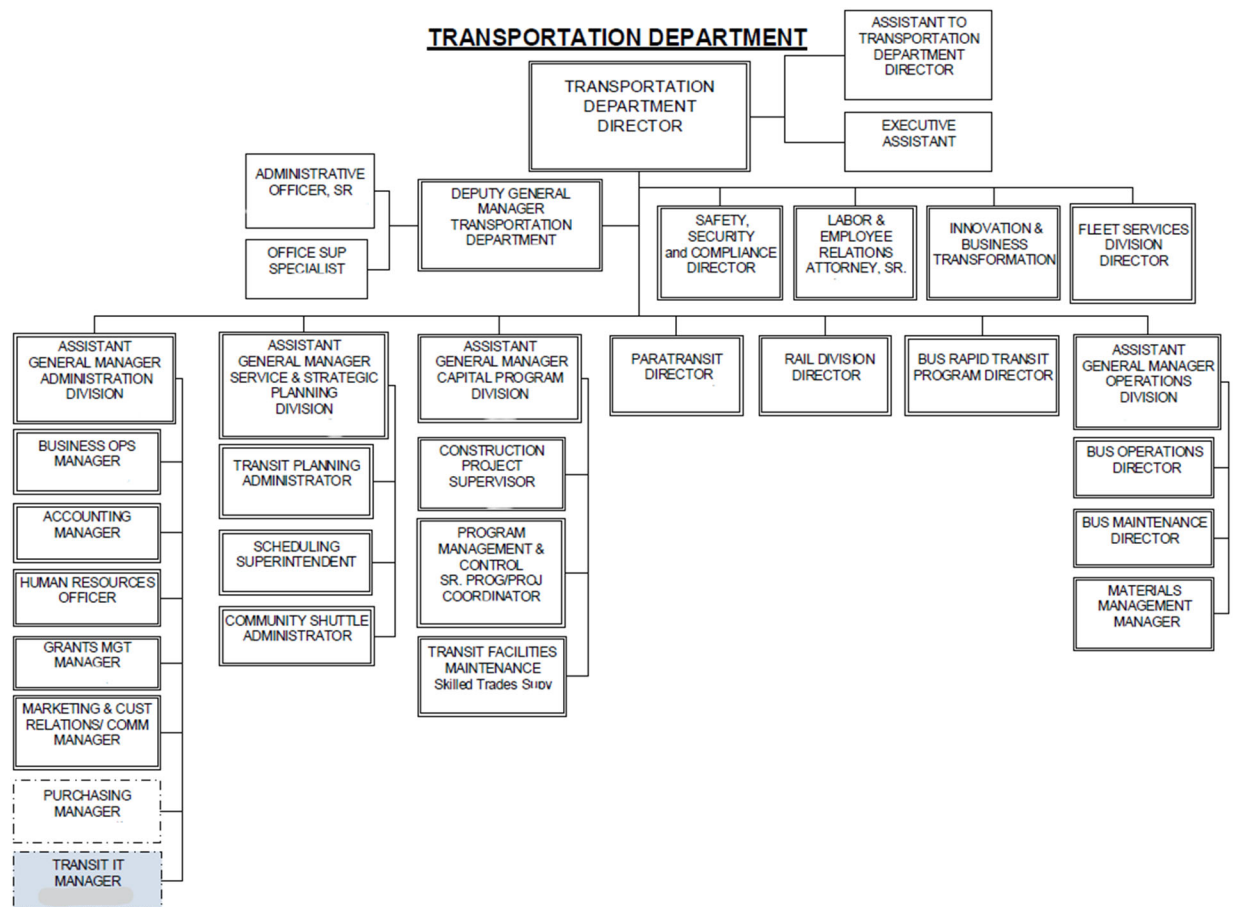
Section II: Purchasing

Section III: Inventory Management

Transit Division Background

Organization

The Transit Division (Transit) provides fixed route bus, express and community shuttles and paratransit services in Broward County. Transit's mission is to provide safe and reliable transportation solutions that link people, connect communities, support employment, and contribute to the overall economic growth of Broward County. The division is organized into the following sections:



- ❖ **Administration:** Responsible for planning, organizing, leading, supporting, and monitoring the activities, operational services, and staff resources of the sections within the Division.
- ❖ **Safety and Security:** Provides leadership and support services to the Transit Division in the areas of federal, state, and County contract compliance and reporting, including the Federal Disadvantaged Business Enterprise (DBE) and the County's Business Enterprise (CBE) programs; Civil Rights including Title VI, the Americans with Disabilities Act (ADA), Equal

Employment Opportunity/Affirmative Action programs; random drug and alcohol testing for all safety-sensitive employees; bus operator occupational medical exam testing; safety and security issues, including emergency preparedness, response plans, and procedures; vehicle and passenger accidents/incidents reporting, and workers' compensation notices and injuries; management of all contracted transit security services; archiving records; public records requests; and discovery proceedings

- ❖ **Customer Relations and Communication:** Responsible for informing and educating the public on the overall benefits of public transit and disseminating information to assist with the utilization of transit services with the goal of increasing ridership.
- ❖ **Grant Management:** Coordinates the various grants administration support activities of the Transit Division, ensuring compliance with Federal, State, Municipal and County goals, and policies. The Grant Management Section also performs procurement activities that include processing delegated agency purchase orders; the review and approval of requisitions, Request for Quote and bid documents; process monitoring of requisitions from initiation through award phase; coordinating the renewal and re-solicitation activities related to master agreements; and the review and approval of procurement card expenditures.
- ❖ **Procurement:** Handles the management of all Transit Division procurement practices, planning for future purchasing challenges, maintaining internal quality assurance, and recommending policy. Coordinates the various procurement and purchasing support activities of the Transit Division, ensuring compliance with Federal, State, Municipal and County goals, and policies. Procurement activities include processing delegated agency purchase orders; the review and approval of requisitions, Request for Quote and bid documents; process monitoring of requisitions from initiation through award phase; coordinating the renewal and re-solicitation activities related to master agreements; and the review and approval of procurement card expenditures; and coordinate the purchase order closeout process.
- ❖ **Capital Program:** Manages Transit's capital projects and programs with activities ranging from the planning, conceptual phase through design, construction, and closeout phases. The Facilities Maintenance section provides systematic inspection and maintenance activities ensuring that Transit facilities are in a state of good repair and prioritizes areas that will require future capital investments to maintain safe operations of all Transit Facilities
- ❖ **Maintenance:** Provides the following programs for the day-to-day maintenance of the Transit Division bus fleet: major and minor mechanical repairs; preventive maintenance; storeroom

operation; daily cleaning, fueling, and servicing of buses; accident repair, and reconditioning of damaged and older buses.

- ❖ **Materials Management:** Responsible and accountable for the management of all Transit Division materials supply chain activities. The section creates, maintains, and issues procedures which aligns resources throughout the supply chain function. Manages the quality, availability, reliability and value of parts and materials necessary for maintaining the bus fleet. In coordination with Purchasing, the Materials Management section oversees and manages the award and administration of purchase orders and supplier agreements. The section is responsible for efficiently managing and controlling inventory levels on an ongoing basis
- ❖ **Transportation Operations:** Provides managerial, operational, and administrative support which ensures that bus service is provided throughout the transit system.
- ❖ **Paratransit:** Administers the federally-mandated Americans with Disabilities Act (ADA), state-mandated Transportation Disadvantaged (TD), and the Agency Coordination Transportation (ACT) program for non-profit social service centers or “agencies” to provide Paratransit transportation to and from their facilities where adult day care and nutrition services are provided. The section is also charged with the responsibilities of purchasing service and coordinating all contracts providing specialized transportation in Broward County.
- ❖ **Rail:** Primarily responsible for the operations of future light rail systems throughout the County.
- ❖ **Service and Strategic Planning:** Responsible for planning, developing, and implementing all services provided by Broward County Transit.

Budget

For the 2022 Fiscal Year (FY), 1,303 positions were budgeted according to the adopted operating budget. The division’s overall budget is an estimated \$76.7 million. Exhibit 1 shows actual amounts for FY20, and budgeted amounts for FY21 and FY22

Exhibit 1

Summary of Transit’s Operating Budget from FY 20 through FY 22

	FY20 Actual	FY21 Budget	FY22 Budget
Transit	148,981,872	135,986,790	76,720,310

Compiled by County Auditor from Broward County, Florida – Fiscal Year 2022 Adopted Operating Budget

Per the Fiscal Year 2022 Adopted Operating Budget, an estimated \$99.4 million is allocated in the Coronavirus Aid, Recovery, and Economic Security (CARES) Act, the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA), and American Rescue Plan Act (ARPA) funds for Transit expenses which are not fully reflected in the FY 2022 in Exhibit 1. In total, net of these one-time federal funds, Transit Operating budget increased by approximately \$4.3 million.

SECTION I: AREAS OF IMMEDIATE CONCERN

Our audit disclosed certain areas of immediate concern that require improvement. 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. Inventory Distribution Procedures are not Consistently Followed, Increasing Risk of Misappropriation.

During our review of inventory distribution procedures, we noted the following:

- A. Twenty three percent (23)% of inventory distributions were not issued using a work order, but were directly issued (direct issue) without any record of who received the part or what the part was used for reducing management's ability to determine how the inventory was utilized, as well as which equipment the inventory was used for. Exhibit 2 shows the breakout of inventory distributions by type.

Exhibit 2 Breakout of Inventory Distributions by Type

Inventory Distribution Type	# Items Issued	Total Cost
Direct Issue	24,102	\$ 1,965,292
Work Order	79,965	\$ 12,519,019
Total Distributed	104,067	\$ 14,484,311
% Of Direct Issue	23%	

Prepared by the Office of the County Auditor based on data obtained from AssetWorks.

According to management, direct issue items are typically small items for quick fixes such as light bulbs, nuts, and bolts. As a result, we analyzed direct issue items of high value, with a per unit cost of \$1,000 or more, such as radiators, fuel pumps, wheelchair ramps, brakes, and windows, as these items are most likely to be issued with a work order. We noted that 301 of 24,101 (12%) parts with a cost of \$1,000 or greater, totaling \$1.24 million, were directly issued which does not comply with the intended use of direct issue and increases the risk of misappropriation of County Assets. Per management, higher cost inventory should be issued using a work order. Transit's Standard Operating Procedures, Storeroom Issue Out Parts, Part 2-Procedures, requires issuance of inventory by creating a work order.

- B. The equipment identification number in AssetWorks is not consistently utilized to identify the specific equipment for which inventory parts were used. For example, the equipment identification number would indicate on which bus a part was installed. We noted, as shown in Exhibit 3, approximately 14% of all inventory distributions, totaling \$2 million, had a blank or generic code as an equipment number.

Exhibit 3

Percentage of Inventory Issued Using a Generic or Blank Code (Unassigned)

Equipment Type	Equip. No.	Total Disbursement Cost
Unassigned Equipment (Generic Codes)	00000	\$821,069
	000000	\$2,527
	BUS001	\$751,519
	BUS002	\$78,206
	(blank)	\$364,737
Sub-total - Unassigned		\$2,018,058
Assigned Equipment	Various	\$12,466,253
Total Disbursed		\$14,484,311
% Inventory Disbursed - Equipment Unassigned		14%

Prepared by the Office of the County Auditor based on data obtained from AssetWorks.

As a result, we analyzed high value items, with a per unit cost of \$1,000 or more, such as radiators, fuel pumps, wheelchair ramps, brakes, air compressors, and windows, as these items are the highest risk for misappropriation. We noted that, as shown in Exhibit 4, approximately 15% of all inventory distributions with a unit cost greater than \$1,000, totaling \$1.37 million, had a blank or generic code as an equipment identification number with over 90% of this number representing items being directly issued (See Opportunity for Improvement 1A).

Exhibit 4

Percentage of Inventory Issued with Unit Cost Over \$1,000 Using a Generic or Blank Code (Unassigned)

Equipment Type	Equip. No.	Total Disbursement Cost	Breakout of Total Disbursement Cost	
			Work Orders	Direct Issue
Unassigned Equipment	00000	\$625,355	\$5,052	\$620,303
	BUS001	\$492,910	\$-	\$492,910
	BUS002	\$18,894	\$-	\$18,894
	(blank)	\$235,425	\$235,425	\$-
Sub-total - Unassigned		\$1,372,584	\$240,477	\$1,132,107
Assigned Equipment	Various	\$8,004,286	\$7,894,441	\$109,845
Total Disbursed		\$9,376,870	\$8,134,918	\$1,241,952
% Inventory Disbursed - Equipment Unassigned		15%	3%	91%

Prepared by the Office of the County Auditor based on data obtained from AssetWorks.

Without assigning an equipment identification number, management is unable to monitor and track where inventory goes increasing the risk that lost or stolen inventory will remain undetected. Management indicated that effective June 11, 2021, generic codes of all zeros are no longer allowed for inventory items over \$500. Transit's Standard Operating Procedures, Storeroom Issue Out Parts, Part 2-Procedures requires the storekeeper to identify the parts issued with the work order and equipment identification number in AssetWorks.

- C. Segregation of duties for inventory transfers between warehouses has not been established and is not enforced. Segregation of duties is an important preventive control which requires more than one individual to be responsible for completing a process or to have controls over more than one phase of a transaction. Specifically, we noted:
 - i. In four of 30 (13%) inventory transfers sampled, the same individual requested, transferred, and received the inventory transfer within AssetWorks.
 - ii. In one of 30 (3%) inventory transfer sampled, an Accounting Specialist, requested and transferred the inventory within AssetWorks which appears to be outside of typical job responsibilities based on available job descriptions.

- iii. In two of 30 (6%) inventory transfers sampled the same individual transferred and received the inventory within AssetWorks.

Management should ensure the inventory transfer functions are appropriately segregated. Failure to adequately segregate duties increases the risk of misappropriation. Management indicated that as of October 2021, the Warehouse Supervisor completes the receiving of inventory transfers, and the Storekeepers are responsible to create and fulfill transfers.

D. Standard Operating Procedures (SOP) for inventory disbursements and transfers are inadequate. We noted that SOPs do not outline:

- i. Requirements to adequately account for the issuance of inventory without a work order (i.e., direct issue).
- ii. Specific processes and safeguards for issuing or receiving inventory when storeroom personnel are unavailable. In such instances, a mechanic may work as a storekeeper when a storekeeper is not on duty creating a potential segregation of duties conflict as allowed by the labor agreement.
- iii. Adequate controls to ensure appropriate segregation of duties to prevent a single individual from requesting, filling, and receiving transferred inventory.
- iv. Time requirements for transfers to be completed.

Recommendation 1

We recommend management:

- A. Require all parts to be distributed using a work order unless the item is specifically exempted for distribution using direct issue by management.
- B. Prohibit the use of generic or blank equipment numbers in AssetWorks unless the item is specifically exempted from this requirement by management.
- C. Ensure that appropriate segregation of duties is established and enforced for inventory transfers.
- D. Enhance standard operating procedures to include the following:
 - i. Requirements to adequately account for the issuance of inventory without a work order (i.e., direct issue).

- ii. Specific processes and safeguards for issuing or receiving inventory when storeroom personnel are unavailable. In such instances, a mechanic may work as a storekeeper when a storekeeper is not on duty creating a potential segregation of duties conflict.
- iii. Adequate controls to ensure appropriate segregation of duties to prevent a single individual from requesting, filling, and receiving transferred inventory.
- iv. Time requirements for transfers to be completed.

2. Physical Security Controls Safeguarding Inventory Are Inadequate.

During our review of physical security controls safeguarding inventory, we noted the following concerns:

- A. Management has not implemented procedures to periodically validate that access to inventory rooms at the Ravenswood facility are restricted to authorized personnel only. During our review of access logs to inventory rooms from July 1st through August 10, 2021, we noted 24 of 35 (68%) individuals (*32 employees and 3 contractors*) that accessed the inventory room using a keycard were not Storekeepers. In addition, physical access authorization forms were not available for review for the 18 employees sampled. The Storekeeper training manual indicates that each Storeroom is a secure place where the Storekeeper staff is available 24/7/365 to handle materials, in various conditions and allow and escort others inside the storeroom. Access form authorizing physical access should be retained and maintained.
- B. Inventory rooms at the Copans facility are not equipped with an electronic badge access system. Physical keys are used to provide access to the inventory room at the Copans facility. Access to secure area should be limited to authorized personnel. Physical keys can be duplicated, and their use cannot be adequately monitored. Without an electronic badge access system, management is unable to adequately control or monitor access to inventory rooms.
- C. Management has not developed formal division policies and procedures to govern the authorization and revocation of physical access to inventory. While we noted that management has established an informal process, we identified the following concerns:
 - i. Job roles or functions with appropriate segregation of duties that require physical access to inventory has not been clearly defined.

- ii. The authorization process for granting and revoking physical access to inventory, as well as the approving authority has not been formally established.
- iii. A process to periodically review employees with access to inventory to ensure that continued access is required for job responsibilities has not been developed.

Transit has a newly hired Materials Manager and Warehouse Supervisor. The newly hired staff have not yet developed a formalized policy for physical access to inventory. Management should establish policies and procedures to ensure access to inventories are restricted to authorized personnel and access restrictions are periodically reviewed and maintained. A lack of policies and procedures increases the risk of misuse, loss, or theft of County assets.

- D. Entrances and exits to some areas where inventory is stored at the Copan's facility are not adequately secured. Specifically, we noted:
- i. We noted unsecured inventory stored in three locations:



1. Outside storage containers



2. The Welding Shop



3. Large room, northwest side

The Copans Warehouse has a significant number of potentially obsolete inventory and a significant amount of space that is not used efficiently. As a result, not all inventory is in secured locations.

- ii. One unsecured doorway into the Parts Room at the Ravenswood facility. The unprotected doorway is on the second floor of the parts room, from the administrative offices. The door serves as an emergency exit and is left open to employees without additional alarms or surveillance.

CAPP Volume 1, Chapter 10: Physical Count of Consumable Inventory Section 2.1.2 D.1. indicates that all inventory areas should be properly secured. Failure to adequately secure inventory increases the risk of theft or loss.



Recommendation 2

We recommend management:

- A. Implement procedures to periodically obtain and review the listing of all individuals with keycard access to the inventory rooms to evaluate whether access is appropriate. The listing should include all individuals, from all access groups, who have keycard access to all inventory room doors. In addition, management should ensure that authorized physical access forms are retained and maintained.

- B. Explore the use of physical access cards to the Copans inventory room to improve tracking and employee accountability. In addition, we recommend that if a physical key is used, management should implement additional monitoring controls, such as security cameras, and ensure the possession of physical keys is adequately tracked.
- C. Develop formal policies and procedures governing the authorization and revocation of access to inventory, job functions that require access inventory, segregation of duties, and access monitoring.
- D. Ensure all entrances and exits to areas where inventory is stored at the Copan and Ravenswood facilities are adequately secured.

3. Purchasing Cards are not Deactivated or Cancelled Timely.

Purchasing cards (P-Cards) are not consistently deactivated or cancelled within 24 hours of employee termination or transfer. A P-Card is a credit card designed to provide County employees with an efficient and reliable way to make non-recurring, low dollar purchases. During our review, we noted that six of 10 P-Cards for terminated or transferred employees reviewed were not cancelled within 24 hours of termination or transfer.

- A. For five of six P-Cards, it took an average of 11 days ranging from 3 to 17 days after the date of transfer or termination to notify the Purchasing Administrator within the Purchasing Division to cancel the P-Card.
- B. For one of six P-Cards, the Purchasing Administrator was notified within 24 hours, however, the card was not cancelled until 16 days later. According to the Purchasing Division, the Purchasing Administrator was on vacation when the email notification was received from the Agency. As such, the cancellation happened after the Purchasing Administrator returned to work.
- C. One of the six P-Cards reviewed had a transaction subsequent to the employee's termination date in the amount of \$3,499. While the transaction does not appear unusual, this transaction was just below the P-Card limit, and there is no evidence to support the transaction was authorized prior to the employee's retirement. We are unable to determine whether the card was on file with the vendor, and there is no evidence the items purchased were received by Transit.

Section F.8 of the Purchasing Card User Manual states

“the Agency P-Card Coordinator must immediately notify the P-Card Administrator, collect the P-Card from the Cardholder, submit the P-Card Request/Change Form to cancel the account to PCardAdmin@Broward.org, and send the P-Card to the P-Card Administrator via interoffice mail to Government Center East, Room 212.”

In the instances noted above, management did not immediately notify the P-Card Administrator of required P-Card cancellations as required by the P-Card Program or the cancellation documentation was not processed timely as there is no backup P-Card Administrator to facilitate cancellations when the primary P-Card Administrator is out of office. Failure to deactivate P-Cards timely may allow P-Cards to be used for inappropriate transactions subsequent to the employee termination or transfer dates exposing the County to unnecessary risk and additional expenses.

Recommendation 3

We recommend management:

- A. Implement procedures to ensure the P-Card Administrator is immediately notified of P-Card cancellations for all employee terminations and transfers.
- B. Ensure a backup P-Card Administrator is available to facilitate the timely cancellation of P-Cards when the primary P-Card Administrator is not available.
- C. Ensure appropriate procedures are in place to prevent the use of P-Cards after the authorized employee's transfer or termination date and ensure any transaction that occurs after the separation date are identified and investigated.

SECTION II: PURCHASING

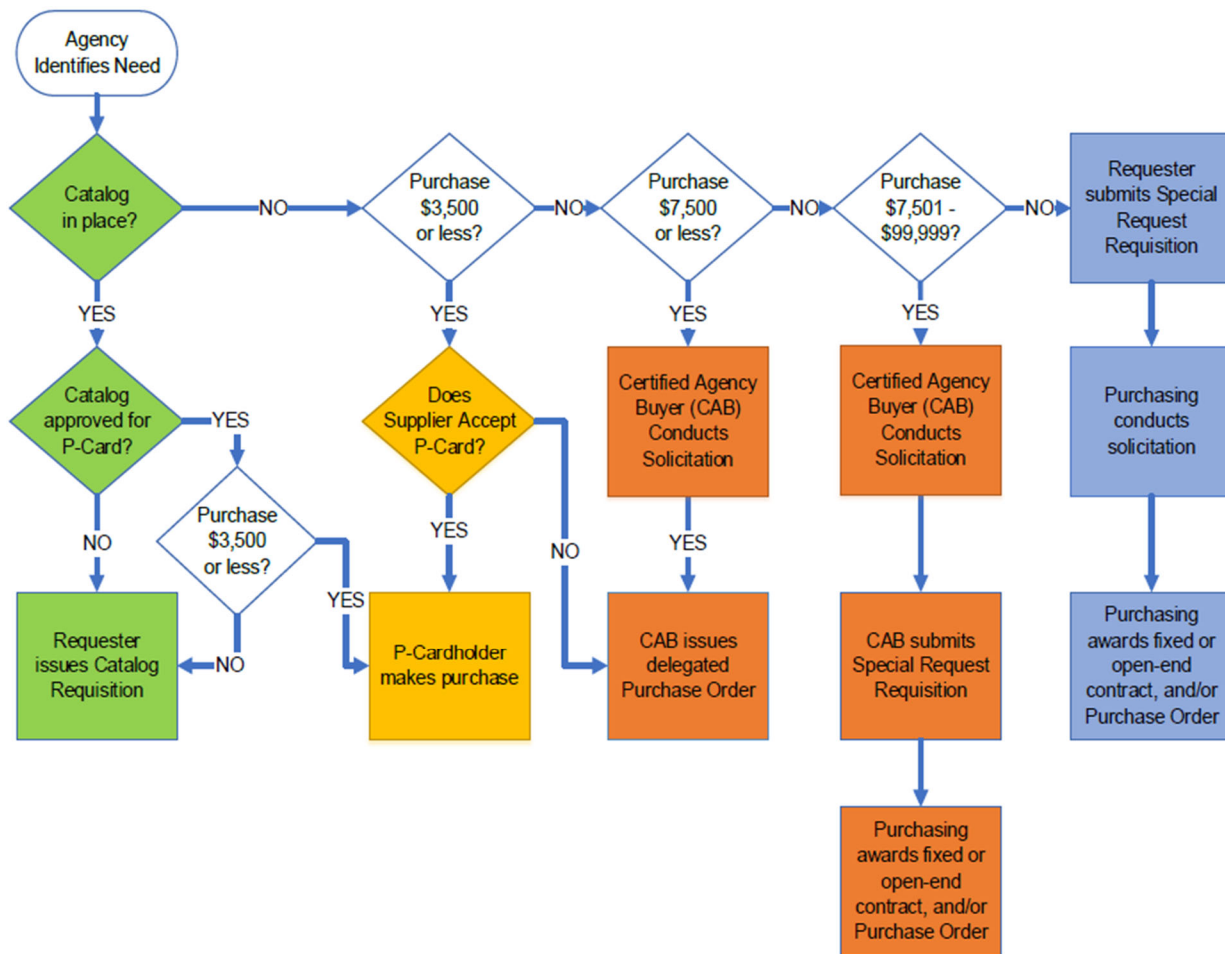
Background

Purchasing

The Director of Purchasing is the designated procurement officer for Broward County and is charged with ensuring that Broward's expenditure of public funds complies with all Federal, State, and local laws. In particular, all public procurement must strive to provide for free and open competition among vendors while ensuring procurement of quality products and services at competitive prices. The Director of Purchasing may delegate agency staff authority as P-Cardholders or Certified Agency Buyers to conduct low dollar purchases. Only the Board of County Commissioners, the County Administrator, or the Director of Purchasing (or designee) may sign agreements or contracts. Agency staff are not authorized to sign any vendor agreement or contract unless specifically designated by the Director of Purchasing or the Board.

Purchases can be made using existing catalogs, which are open-ended procurement contracts or master agreements, through purchase requisitions issued by each agency. When no catalog exists for a needed good or service, the estimated dollar amount of the purchase will determine which procurement track to follow. A summary of Broward County's purchasing process is depicted in Exhibit 5.

Exhibit 5
Summary of Broward County's Purchasing Process



Excerpt from "Quick Guide to Purchasing" May 2020 published by the Broward County Purchasing Division.

Existing Open Ended Procurement Contracts (Catalogs or Master Agreements)

Catalogs provide a wide range of regularly needed goods and services through Catalog requisitions. Catalogs establish pricing for goods or services based on the County's estimated annual need. Agencies should request that a Catalog be established for recurring purchases to prevent a possible audit exception of "splitting" orders on recurring purchases. Splitting occurs when an agency knows that the estimated cost of a purchase exceeds their delegated authority, so the purchase is split into smaller units to fit their delegated authority.

Agencies must check if a Catalog is available in PeopleSoft before initiating any other type of procurement. Agencies should also review the contract specifications, terms, conditions, and pricing prior to using any Catalog. Key points about Catalogs include:

- ❖ If an item or service exists on a current Catalog, the Catalog must be used to procure the goods or service.
- ❖ Catalog items cannot be purchased with a Purchasing Card (P-Card) without specific prior authorization from the Purchasing Division.
- ❖ Agency PeopleSoft Requestor must issue a Catalog Requisition to purchase items from a Catalog (unless the Catalog is approved for P-Card purchases).

Purchasing Cards (P-Cards)

A P-Card is a credit card designed to provide County employees with an efficient and reliable way to make non-recurring, low dollar purchases.

Broward County's P-Card Program is administered by the Purchasing Division. P-Cards must be used for purchases \$3,500 or less, unless approved by Central Purchasing or the vendor does not accept credit cards. P-Cards may also be authorized as a travel card to pay certain approved expenses during County authorized travel. The Director of Purchasing may authorize additional spending limits to individual cardholders to meet specific circumstances or emergencies.

P-Card Program Participant Responsibilities

The Purchasing Division's P-Card Administrator is responsible for the overall administration and oversight of the P-Card Program, including:

- ❖ establishing and maintaining P-Card Program policy and procedural guidance for agency participants;
- ❖ serving as the primary contact between the County and the Bank;
- ❖ providing training for P-Card Program participants;
- ❖ providing support to participating agencies;
- ❖ suspending Card Holder privileges when Card Holders and/or Approvers fail to comply with P-Card Program policies and procedures;
- ❖ cooperating with audit and investigative authorities with respect to identifying and mitigating suspected, alleged, or confirmed instances of waste, fraud or abuse related to the P-Card Program;
- ❖ conducting routine quarterly transaction reviews and investigations of potential P-Card violations and issuing the appropriate sanctions;

- ❖ providing quarterly transaction reports to the Office of the County Auditor, identifying all individuals whose P-Cards have been revoked and/or reinstated.

The Director of each participating agency is responsible for a thorough review of monthly expenditures, ensuring all transactions conform to the policies and procedures. Roles within divisions include a P-Card Coordinator, Approver, and Holder. Exhibit 6 shows a brief description of the responsibilities of each role.

Exhibit 6

P-Card Program Roles with Descriptions

P-Card Coordinator

P-Card Coordinators are designated by each agency's Director to manage P-Card Program activities, in cooperation with the Purchasing Division. They are responsible for requests to the Purchasing Division for new P-Card orders, cancellations, reinstatements, name changes, approver changes, and alerting the P-Card Administrator to cancel or transfer an account when a Card Holder is leaving the participating agency.

P-Card Approver

P-Card Approvers are responsible for ensuring Card Holder compliance with requirements of the P-Card Program and ensuring that Card Holders enter the correct budget line item number, and attach receipts and supporting documentation in PeopleSoft.

P-Card Holder

P-Card Holders are responsible for a diligent review of all P-Card transactions to ensure that all transactions conform to policies and procedures.

Source: Prepared by the Office of County Auditor with information obtained from the Purchasing Card Program Policies and Procedures Manual

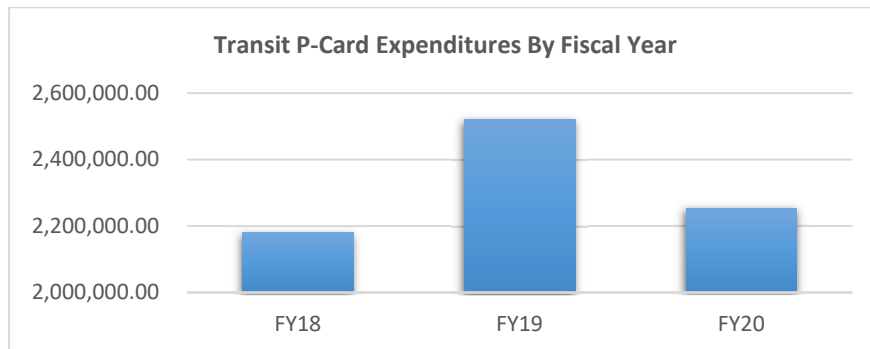
Each P-Card Holder must complete training and sign an agreement to abide by all P-Card policies and procedures. The County maintains a zero-tolerance policy for personal purchases using a P-Card. Personal use of the P-Card for any reason may result in immediate revocation of P-Card privileges.

All P-Card purchases should be for non-recurring, non-luxury, non-personal, County business. P-Card purchasing limits are \$3,500 per single transaction (including shipping, installation, warranty, handling, etc.), \$6,000 per day and \$20,000 per month. There should be no "splitting" of purchases into smaller bundles to circumvent these transaction limits.

P-Card Approvers should be at least one level higher in the organization than the Cardholder(s) for which they are the approver and should only approve transactions under their sphere of influence (i.e., area of expertise or understanding).

The Transit Division had approximately \$6.9 million in P-Card expenditures for fiscal years 2018 through 2020 as shown in Exhibit 7:

Exhibit 7
P-Card Expenditures Fiscal Years 2018 - 2020



Created using data compiled by the Office of the County Auditor from PeopleSoft

Certified Agency Buyers (CABs)

Certified Agency Buyers (CABs) are delegated authority by the Director of Purchasing to conduct solicitations and either issue CAB Purchase Orders (CABPOs) for purchases \$7,500 and less or submit Special Requisitions for purchases \$7,501 - \$99,999. CAB purchases must comply with the same rules, regulations and Code provisions that govern the Central Procurement system. To be delegated as a CAB, a person must be a permanent Broward County employee, recommended by their director in writing to be CAB, complete CAB Policies training, pass a test administered by the Purchasing Division, sign a CAB Agreement, complete CAB training, and obtain security access in PeopleSoft as a CAB.

Special Requisitions

To initiate a purchase over \$99,999 the Agency Requestor submits a Special Request Requisition in PeopleSoft attaching specifications and all other required documents specified in the Requisition Package Checklist. The Requestor submits a Special Request Requisition to Central Purchasing for the establishment of either a Fixed Procurement Contract or an Open-End Procurement Contract Catalog. Upon receipt of all required documents, Central Purchasing will determine the appropriate procurement method and conduct the solicitation. The basic procurement methods are shown in Exhibit 8.

Exhibit 8
Summary of Basic Procurement Methods

Procurement Method	Characteristics
Request for Quote (RFQ)/Bid	• Used when the required specifications are clearly and completely defined • Awarded to the lowest responsible bidder that meets specifications • Requesting agency verifies vendor's "responsiveness" and "responsibility"
Request for Proposal (RFP)	• Specific solution is known • Multiple factors (not just price) determine best vendor • Evaluation Committee rates vendor/proposals (out of 100 points) • Negotiation proceeds with highest rated vendor/proposal
Request for Letter of Interest (RLI)	• Specific solution is unknown • Solutions are proposed by vendors • Selection Committee ranks vendor/proposals (1st, 2nd, 3rd etc.) • Negotiation proceeds with top ranked vendor/proposal

Excerpt from "Quick Guide to Purchasing" May 2020 published by the Broward County Purchasing Division.

SECTION II: 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.

4. Master Agreements are not Consistently Utilized, Where Available.

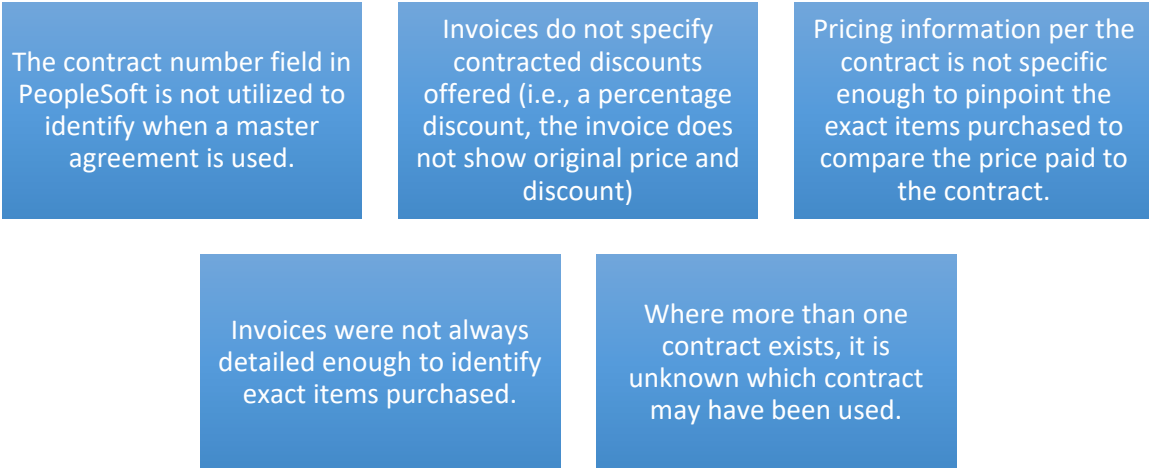
During our evaluation of the use of Master Agreements for P-Card transactions, we noted the following:

- A. The use of master agreements is not enforced or monitored. Supporting documentation is not maintained to evidence P-Card holders are utilizing master agreements; and management is not able to track or monitor P-Card purchases to ensure existing master agreements are consistently used. For 24 P-Card transactions from the top eight vendors with the highest aggregate purchases, we observed the following:
 - i. For 21 of 24 (88%) of transactions tested, management was not able to identify if the existing master agreements were used for these purchases.)
 - ii. For 18 of 24 (75%) of transactions tested, management was not able to verify the prices paid were in accordance with the master agreement pricing.

Factors that contribute to management's inability to enforce and monitor the use of master agreements include the items listed in Exhibit 9:

Exhibit 9

Factors Contributing to Management's Inability to Enforce and Monitor Master Agreements.



Section A.4.d.iii of the P-Card Manual requires P-Card holders to be responsible for ensuring the use of established and authorized procurement contracts, when available and Section A.4.e requires P-Card approvers to be responsible for “ensuring cardholder compliance with this policy, and any other applicable directives”. Failure to purchase using a master agreement where one exists for the required commodity or service exits is a prohibited use and may result in the agency paying more than the negotiated price for the item purchased.

- B. Master Agreements have not been established for some vendors with a large number of P-Card purchases. We identified the top five vendors by volume of purchases without master agreements, shown in Exhibit 10.

Exhibit 10

Top Five Vendors Without Master Agreements by Purchase Volume

No.	Vendor	Total Spent	Total Transaction Count
1	THE PARTS HOUSE	\$208,714	288
2	HECTOR TURF	\$76,913	242

No.	Vendor	Total Spent	Total Transaction Count
3	LAWSON PRODUCTS	\$69,455	46
4	WINZER USA	\$50,411	91
5	HYDRAULIC SUPPLY COMPA	\$49,156	142
Total		\$454,649	809

We reviewed 15 purchases from this group of companies and confirmed with management that there were no master agreements for the items purchased. Based on the total amount expensed, the number of transactions, and the nature of purchases, consideration should be given to establish master agreements with these vendors. Management has indicated that they are in the process of establishing master agreements with one or more of these companies or piggy-backing on existing master agreements with other entities.

Recommendation 4

We recommend management:

- A. Implement procedures to monitor and enforce the use of master agreements, where available.
- B. Establish or piggy-back on master agreements with vendors to cover frequent purchases, where practical.

5. P-Card Program Requirements are not Consistently Followed.

During our evaluation of P-Card transactions we noted the following:

- A. Six transactions totaling \$24,152 that appeared to be split across multiple purchases in an effort to circumvent the purchasing limits established in the Purchasing Card Program Policies & Procedures Manual (P-Card Manual). Section B.2.i of the County's P-Card Manual prohibits the splitting of purchases to circumvent the \$3,500 single transaction limit. Failure to prevent or detect the unauthorized practice of splitting transactions to circumvent P-Card transaction limits leads to violation of P-Card manual and bypasses the competitive procurement process for larger dollar value purchases.

- B. Seven of 60 (12%) of P-Card transactions sampled were approved by P-Card Approvers without adequate supporting documentation in PeopleSoft to facilitate a review. According to section A.4.d.xxi of the P-Card Manual, cardholders should keep complete and accurate records of P-Card purchases, including maintaining physical or electronic copies of receipts. Upon follow-up, we were able to obtain adequate supporting documentation for six of the seven transactions directly from P-Cardholders or approvers and determined that they were for a valid business purpose. For the remaining transaction, we could not obtain supporting documentation because the P-Cardholder is no longer employed with the County and the approver could not provide supporting documentation to justify approval of the transaction. Through inquiry of the Enterprise Resource Planning (ERP) Project Administrator, we noted that there is an issue in PeopleSoft where some uploaded supporting documents may become unlinked from the parent transaction. During our audit work on July 16, 2021, the ERP team deployed a process that re-established the link between the master record and the supporting documents. On July 20, 2021, we were informed that 45% of the orphaned records were linked and management was in the process of analyzing the remaining records and determining the root cause. Failure to ensure that P-Card transactions have adequate supporting documentation may result in approval of inappropriate purchases and may allow questionable transactions to remain undetected.
- C. We noted one unusual transaction for an item that was purchased and shipped to an employee's residence as opposed to a County location, which is a violation of County policy. Purchasing Card (P-Card) Program Manual - Revised July 16, 2018, states that under no circumstances may an order be delivered to a personal residence or any non-County location. Upon follow-up, we were informed that the items were sent to the employee's personal address as the county building was going to be closed on the delivery date. Delivering items to a non-County location increases the risk of theft or misuse of County property.

Recommendation 5

We recommend management:

- A. Take appropriate disciplinary actions defined in the P-Card manual for any employee involved in splitting and ensure appropriate procedures are implemented for approvers to identify split transactions.
- B. Ensure that cardholders submit all the required supporting documentation for P-Card purchases and work with the ERP team to prevent supporting documents becoming unlinked from transactions in PeopleSoft.

C. Ensure all P-Card purchases are delivered to a County location.

6. Monthly P-Card Activity Reviews by Agency Directors Require Enhancement.

During our evaluation of monthly P-Card reviews by Agency Directors, we noted Agency Directors do not consistently document their reviews of monthly P-Card transactions. According to management, the reviews are performed regularly; however, documentation to demonstrate their due diligence is not maintained. The P-Card Manual, Sections 3c and 4b, requires agency directors to perform a review of monthly P-Card expenditure reports to ensure all transactions conform to the P-Card program policies and procedures. Without adequate review procedures, unauthorized transactions and non-compliance with County policies and procedures may remain undetected, and management is unable to demonstrate the due diligence activities for P-Card transactions required by the P-Card Program.

Recommendation 6

We recommend management document reviews of monthly P-Card transaction reports by Agency Directors.

7. The P-Card Program Requires Enhancement.

During our review of the Purchasing Card Policies and Procedures Program Manual, we noted the following:

- A. The P-Card manual does not require periodic training for P-Card holders when updates to the program are made. In order for the program to be effective, P-Card holders should be made aware of current program requirements. Without periodic training, card holders may be unaware of changes to program policies and procedures increasing the risk of misuse.
- B. The P-Card manual has not been updated to reflect the new capital threshold increase from \$1,000 to \$5,000, effective October 1, 2020. The County's Director of Accounting issued a memorandum on March 26, 2021, to County agencies apprising them of a change in the capital asset threshold from \$1,000 to \$5,000. This change is documented in Section 1.8 of Broward County Administrative Policies and Procedures Volume 1, Chapter 11. The P-Card manual is out of compliance with the Capitalized Asset threshold of \$5,000 and should be updated. Failure to update the P-Card manual may affect the accurate recording of capital assets affecting the County's financial records.

Recommendation 7

We recommend management:

- A. Enhance the P-Card program by requiring periodic refresher training, especially when changes are made to the program.
- B. Update the P-Card manual to reflect the threshold increase for capital assets.

8. Capital Equipment are not Consistently Flagged in the Accounting System and Tagged.

During our capital asset purchases, we noted the following:

- A. Five of seven (71%) P-Card purchases of capitalized assets reviewed, totaling \$10,543, and 15 of 15 (100%) general procurement purchases of capitalized equipment were not flagged as capital assets within the County's financial system. Section 4.d.xviii of the P-Card Manual requires all purchases of Tangible Property (capital assets) to be properly identified in PeopleSoft. Section 2.1.B of County Administrative Policies and Procedures (CAPP), Volume 1, Chapter 11, required that the

"Owning agency is responsible for identifying the purchase as a capital asset in the P-Card module in PeopleSoft when processing and approving the P-card payments."

A capital asset is defined as a single item with a unit value of \$1,000 or more prior to, and \$5,000 or more as of, October 1, 2020 (including component parts, delivery, installation, warranty, etc.) which has a life expectancy of one year or more. During discussions with management, we noted that the PeopleSoft Purchasing and Financials Asset Management module intended to acquire, manage, track, report, retire and/or dispose of the County's capital assets has not yet been implemented. In the interim, Transit uses spreadsheets to manually track capital assets. These spreadsheets are provided to the Accounting Division for input into Strategic, the County's existing capital asset management system that the new PeopleSoft module is intended to replace. As a result, Transit is not able to comply with County policy. PeopleSoft Purchasing and Financials Asset Management module is currently scheduled to be implemented on July 6, 2022

- B. Seven of the seven (100%) P-Card purchases of capitalized equipment and eight of 15 (53%) general procurement purchases of capitalized equipment reviewed were not asset tagged. County Administrative Policies and Procedures (CAPP) Volume 1, Chapter 11,

Section 1.7.6 defines Capitalized Equipment as "an apparatus, tool, or conglomeration of pieces to form a tool, or vehicle used in operations. These assets stand alone and do not become part of a basic structure or building." Section 1.7.11 states "All capital assets and closely controlled assets must be tracked with a unique numeric and bar-code capital asset tag that is placed in a visible and easily accessible location." In addition, Section 1.8 A states "capitalization thresholds are \$5,000 for equipment, land, and intangibles and \$50,000 for buildings, land and building improvements and infrastructure."

Without recording capital assets in the financial system and tagging capital assets as required by County Policy, management may have difficulty monitoring, tracking, and accounting for capital assets and maintaining accurate financial records.

Recommendation 8

We recommend management:

- A. Ensure capital assets are properly identified in the County's accounting system once the PeopleSoft Purchasing and Financials Asset Management module is implemented.
- B. Work with the Accounting Division to ensure capital assets are properly asset tagged in compliance County policies and procedures.

SECTION III: INVENTORY MANAGEMENT

Background

Inventory Management

It is the responsibility of the agency director to ensure that inventory in their agency is properly reported and accounted for, as well as ensuring the completeness and accuracy of the amounts reported. Agencies must conduct an annual physical inventory of all significant materials and supplies. A record of the physical inventory must be maintained. Transit has defined roles and responsibilities related to inventory as shown in Exhibit 11.

Exhibit 11 Inventory Roles and Responsibilities

Title(s)	Responsibilities
• Assistant General Manager Administration • Accounting Manager	Maintenance, care or keeping of inventory records.
• Assistant General Manager Operations • Transit Manager • Asset Accountant • Warehouse Supervisor	Tracking, organizing, and analyzing the inventory count.
• Information Technology Manager • Systems Analysts	Maintenance of hardware, software, and data that supports inventory.
• Human Resources Manager	Assists in year-end counts for parts inventory.

Prepared by the Office of County Auditor based on information provided by management.

Significant discrepancies between the physical inventory and the agency's accounting records must be investigated and documented for audit purposes.

Inventory Process

To initiate the Annual Physical Inventory, the County's Central Accounting Division sends a Memo to the Transportation Director with due dates for the Fiscal Year End (FYE) Annual Inventory to

initiate the Annual Inventory process. The Human Resource Officer sends an email to all Transportation Department and Fleet staff requesting volunteers for the Annual Inventory.

The Transit Accounting Section plans the inventory count and assembles a team that consists of IT, Operations and HR personnel. The Accounting Manager conducts the inventory count coordination meetings starting in March, as well as bi-weekly progress meetings in June. Prior to the start of the first count, all obsolete and surplus items are removed from the inventory. It is the responsibility of the Assistant General Manager of Operations (AGMO) to identify obsolete inventory items based on changes in market conditions, sales orders, and technology advances. Obsolete, surplus, or damaged items must be removed from inventory at least once a year prior to taking and reporting the September 30th year-end inventory. The AGMO may record a provision for obsolete inventory in the period the circumstances occurred or were identified in lieu of removal from inventory records.

Inventories must be under the physical control of designated individuals who are held responsible for the quantities on hand.

The inventory is planned and split into two locations, Ravenswood and Copans, and Count Teams are assigned to the locations based on the plans. The Transportation Department was required to submit their Inventory Plan by September 4, 2020, and Pre-Approved Computer Reports, Inventory Count Sheet Control Summary, and a Roll Forward Report by October 2, 2020, in accordance with County procedures.

When the first count is completed, a baseline report is produced for each location and reviewed by the Transit Accounting Division to determine if the counts are correct. For example, the counter may have identified one part which is actually one bag that contains five parts, so adjustments are made to record the actual number of parts. Once these counts are corrected, the Final Inventory Report is produced and submitted to Central Accounting by the due date, October 2, 2020. An email confirming timely submission was received from the Transportation Department.

SECTION III: 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.

9. Inventory Purchase and Receiving Procedures are not Consistently Followed.

During our review of inventory purchases, we noted the following:

- A. Four of 30 (13%) inventory purchases sampled, were not entered in the inventory system. Two of the purchases were made using the general procurement process and the other two purchases were made using P-Cards. According to management, bus parts should be entered into inventory; however, current procedures do not provide guidance for the handling of P-Card purchases of inventory items (i.e., bus parts) or specify the types of purchases that are required to be entered into inventory. In addition, Transportation Standard Operating Procedures, Receiving, Section 2, requires Storekeepers to stamp, sign, and date the packing slips, place the parts in inventory, and deliver the requisition packet and signed packing slip to the Accounting Specialist for entry into the inventory system. Without entering inventory purchases into the inventory system, inventory may not be properly accounted for and may be lost or stolen without detection.
- B. Two of 15 (13%) inventory purchases sampled made using the general procurement process had no evidence of receipt by the County. Products received should be evidenced by a signature of the receiver, who should be independent of the purchaser. Accounts Payable CAPP, Volume 1, Chapter 1, Section 2.1.3.1, #4, states:

“the person who actually receives the goods and/or services is responsible for the completion and signing of one of the following documents to be attached to the receipt: packing slip or delivery ticket...delivery acknowledgment....or copy of invoice signed and marked approve...”

In addition, the Transportation Standard Operating Procedures, Receiving, Section 2, requires Storekeepers to stamp, sign, and date the packing slips and place the parts in inventory. Without evidence of receipt, purchased items may be lost or stolen without detection.

Recommendation 9

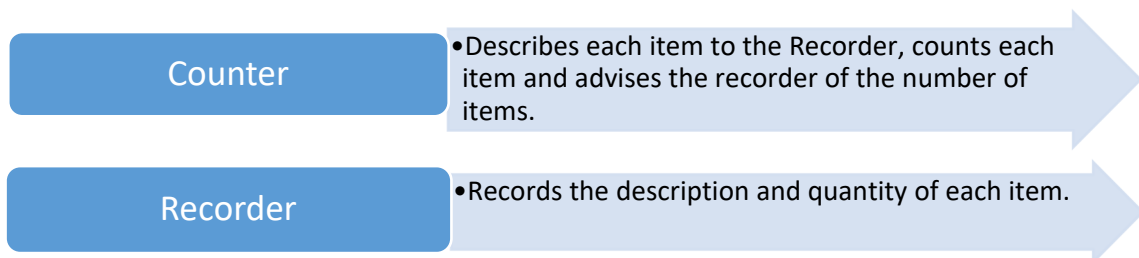
We recommend management:

- A. Implement adequate procedures to ensure inventory purchases, purchased through the general procurement process or P-Card, are entered into the inventory system.
- B. Ensure all general procurement purchases are appropriately received and signed for by someone independent of the purchaser.

10. Annual Physical Inventory Counts are not Conducted in Compliance with County Policy.

During our review of annual physical inventory counts, we noted the following:

- A. Annual physical inventory counts are not consistently conducted in compliance with County policies and procedures and agency specific standards. We noted 0 of 73 or (0%) of the count sheets reviewed had the personnel required to segregate the recording and counting functions required by CAPP policies. The County Administrative Policies and Procedures (CAPP) Volume 1, Chapter 10, Section 1.7 D and E; and Sections 2.1.2, B and C, requires a count team to have two or more people that are delegated by the Inventory Supervisor, as Counter and Recorder of the physical count of consumable inventory.



Management indicated that a two person count team was not used on the last inventory count as a result of the ongoing pandemic. Separating the counting and recording functions is a best practice intended to increase the accuracy of the inventory count and is required by County Policy. Failure to segregate these functions may reduce the accuracy of the inventory count.

- B. The inventory management system of record (AssetWorks) was not updated to reflect the actual inventory on hand as a result of the inventory counts at the end of fiscal years 2020 and 2021. Management indicated that AssetWorks had not been updated with adjustments due to a technical problem that had not yet been addressed. The County

Administrative Policies and Procedures (CAPP) Volume 1, Chapter 10, Section 1.8b, states "It is the responsibility of the agency director to ensure that inventory in their agency is properly reported and accounted for, as well as ensuring the completeness and accuracy of the amounts reported." Chapter 10, Section 2.1.2, G.b, requires significant discrepancies (variances) between the inventory records and the count should be identified, investigated, and explained. Failure to update the system of record reduces management's ability to adequately track inventory and may allow missing or lost items to remain undetected.

Recommendation 10

We recommend management:

- A. Conduct the annual physical inventory counts in compliance with County policies procedures. In instances, where exceptions to County Policy are required, management should ensure such exceptions are formally approved by the appropriate authority, and adequate mitigating controls identified and evaluated.
- B. Update AssetWorks to reflect the actual inventory on hand as a result of the annual inventory count.

11. User Access to the Inventory System is not Adequately Designed to Enforce County Policies.

During our review of access to Transit's inventory system, AssetWorks, we noted the following concerns:

- A. Management has not adequately designed privileged access within AssetWorks to restrict access based on employee job responsibilities and segregation of duties restrictions as required by County Policy.
 - i. The "System Admin" user group within AssetWorks can perform all system functions without appropriate monitoring allowing them to bypass segregation of duties controls over inventory management processes. Segregation of duties is an important preventive control which requires more than one individual to be responsible for completing a process or to have controls over more than one phase of a transaction. This user group is made up of ten information technology employees whose typical job responsibilities involve maintaining the system and providing information technology support. During our review, we noted one systems analyst who performed six inventory adjustments. Upon inquiry, the

system analyst indicated that a user was getting an error and was unable to perform the transactions, so the transactions were performed on behalf of the user. This activity is outside the scope of this individual's job responsibilities and creates a segregation of duties conflict increasing the risk of inappropriate activity.

- ii. System Admin access is also not segregated by agency or location. For example, the Information Technology Supervisor at the Port Finance Section has the ability to view and perform inventory transactions at Transit. This type of access is not required for the performance of job responsibilities and violates the principle of least privilege, which seeks to limit access based on job responsibilities. Failure to limit access based on job responsibilities, increases the risk of unauthorized or inappropriate inventory transactions.

- B. Users are not consistently assigned to user groups within AssetWorks based on job title and management has not formally documented its access policies for translating roles and responsibilities related to inventory management into system access. Each user group provides its members (users) with specific functionality within the system. A user within AssetWorks, may be a member of one or more user groups and will have the combined access of each user group for which the user is a member.

We selected a sample of six user groups that include inventory management responsibilities, such as issuing, transferring, and modifying inventory. The user groups reviewed along with a brief description is shown in Exhibit 12.

Exhibit 12

User Groups with Inventory Responsibilities with Function Definitions

User Group	User Group and Function Definitions
STOREKEEPER	Issue and return of parts via work orders, direct issue inventory, and transfer of inventory between warehouses.
PARTS ADMIN	Issue and return of parts via work orders and direct issue inventory.
PO RECEIVER	Receive new inventory from purchases (Access Level: Enterprise Part Receipts).
STORE SUPERVISOR	Issue and return of parts via work orders, transfer of inventory, receive new inventory, and adjust inventory records (Access Level: Parts Quantity Adjustments).
SYSTEM ADMIN	Full Access: Issue and return of parts via work orders, direct issue, transfer of inventory, receive new inventory, and adjust inventory records.
MAINTENANCE ADMIN	Issue and return of parts via work orders.

Prepared by the Office of the County Auditor based on system reports provided by management.

We reviewed all job titles with access to these roles and noted that access groups to four job titles are not consistently assigned as shown in Exhibit 13:

Exhibit 13

Job Titles with Inconsistent Access

Job Title	User Group Inconsistencies
Supervisor Skilled Trades	Access inconsistently assigned to Storekeeper and Maintenance Admin user groups.
Transit Maintenance Supervisor	Access inconsistently assigned to Storekeeper and PO Receiver user groups.
Assistant Transit Maintenance Supervisor	Access inconsistently assigned to the Storekeeper user group.
Accounting Specialist	Access inconsistently assigned to the Parts Admin User Group.

- C. User activity logs within AssetWorks are not periodically reviewed to detect inappropriate inventory activity. AssetWorks generates a log of activity by user, but the logs are not currently utilized to monitor for suspicious user activity. Activities that can be monitored include the deletion of work orders that include issued parts or applied labor. User activity logs should be periodically reviewed by appropriate management personnel for incompatible actions and abnormalities. Failure to periodically review user activity logs may allow inappropriate or unauthorized activity to remain undetected.

Management should ensure access to County systems is based on the principle of least privilege, enforces adequate segregation of duties, and is appropriately monitored in accordance with County Administrative Policies and Procedures. Failure to adequately restrict and monitor access increases the risk of unauthorized or inappropriate activity as well as contributes to the segregation of duties issue noted in opportunity for improvement 1C.

Recommendation 11

We recommend management:

- A. Ensure administrator access within AssetWorks is adequately designed to restrict access based on employee job responsibilities and segregation of duties restrictions as required by County Policy.
- B. Ensure user access within AssetWorks is adequately designed to restrict access based on employee job responsibilities and segregation of duties restrictions as required by County Policy.
- C. Establish policies and procedures to periodically review user activity logs within AssetWorks incompatible actions and abnormalities.

12. Significant Inventory Deficiency Threshold Should be Evaluated and Formally Approved.

During our review of inventory discrepancies, we noted the following:

- A. The significant deficiency inventory threshold development of \$5,000 has not been formally approved by the Transportation Director and should be evaluated to ensure its adequacy to alert management of issues with the inventory system or with warehouse operations that affect inventory balances. The significant deficiency threshold is used to eliminate research for discrepancies in the inventory count for each item that fall below the threshold regardless of the per unit cost. During our analysis, there were \$326,271 in positive variances, where the amount of inventory on hand exceeded the amount recorded in the inventory system, and \$447,943 in negative variances, where the amount of inventory on hand was less than the amount recorded in the inventory system, that fell below the \$5,000 threshold and were therefore not investigated. The Government Accounting Office (GAO) recommends that management establish criteria which can include setting quantity or dollar value tolerances or a combination of tolerances and researcher judgment depending upon the type of inventory or its impact to operations that includes:
 - a. variances that exceed established dollar value or quantity variances by type of item,
 - b. established tolerances ranging from zero to five percent based on product type,
 - c. variances based on established dollar and quantity tolerances,

Without setting adequate criteria to investigate variances, management cannot adequately identify the causes of variances to reduce the potential for discrepancies.

- B. Fourteen of 43 (33%) of the significant deficiencies (shortages) noted in the annual physical inventory count, totaling \$108,370, were not investigated, or researched. Shortages included two generators totaling \$17,167, two booster inverters totaling \$15,796, and \$75,407 in parts and supplies that were unaccounted for. The County Administrative Policies and Procedures (CAPP) Volume 1, Chapter 10 Section 2.1.2, G.b, requires significant discrepancies (variances) between the inventory records and the count should be identified, investigated, and explained. Failure to investigate significant inventory deficiencies restricts management's ability to identify the causes of variances between the physical count and the inventory records and implement corrective actions. Misappropriation of inventory may also remain undetected.

Recommendation 12

We recommend management:

- A. Evaluate and formally approve the significant deficiency inventory threshold.
- B. Investigate all significant discrepancies between the physical count and the on-hand balance in AssetWorks.

13. Established Processes for Handling Obsolete, Surplus, or Damaged Inventory Require Enhancement.

Established processes for handling obsolete, surplus, or damaged inventory require enhancement. During our review, we noted the following:

- A. Management does adequately segregate, store and secure obsolete, surplus, or damaged inventory. There is not a designated space to store obsolete, surplus, or damaged inventory. Obsolete, surplus, and damaged items are not consistently secured safely and are stored in numerous locations throughout the warehouse. Warehouse management is relatively new to their positions and are in the process of identifying surplus, obsolete and damaged inventory and re-evaluating their processes. The County Administrative Policies and Procedures (CAPP) Volume 1, Chapter 10, Section 2.12, I.2, recommends that obsolete items be physically moved to a separate location and controlled to prevent subsequent issuance. Failure to adequately segregate and secure obsolete, surplus, or damaged inventory may reduce management's ability to track these items until disposal and may allow these items to be re-issued.
- B. Management has not implemented a process to ensure that all payments for scrap metal are received by the accounting department. The County has an agreement with a vendor for the disposal of scrap metal. Per the agreement the vendor pays the County within seven calendar days after removal of scrap metal. The County receives revenue based on a specified percentage of the American Metal Market (AMM) Daily Newspaper prices stated for the day the material is removed and the weight of the scrap material that is picked up. The vendor provides the County with a receipt, containing information related to the pick-up as well as an estimated weight and/or amount of material picked up. The Accounting department is not informed when or how much scrap metal is collected in order to record a receivable. Transactions are only recorded when checks are received. According to Section 1.8 of Volume 1, Chapter 4 of the CAPP:

"Primary responsibility for billing, collection and reconciliation of receivables vests with the agency under which the receivable originated except for certain agencies which receivables are recorded by the Accounting Division. This responsibility includes the development and updating of agency procedures to ensure the timely collection of receivables, and the ongoing analysis and review of the collectability of all receivables."

Without recording a receivable, management will not be aware whether any amounts are owed. Missed payments may remain undetected.

Recommendation 13

We recommend management

- A. Adequately segregate, store and secure obsolete, surplus, or damaged inventory.
- B. Implement procedures to ensure that all payments for scrap metal are received by the accounting department.

14. Oversight of Physical Inventory Management Should be Enhanced.

During our review, we noted the following opportunities for management to increase oversight activities:

- A. Transit does not currently use performance measures to evaluate the results of the inventory count. The Government Accountability Office (GAO) recommends establishing and evaluating the results of the physical count process. The evaluation of the results gives management the necessary information for measuring the effectiveness of the physical count and corrective actions or improvements to the inventory process and system. Evaluation includes measuring the results of the count, communicating the results, and modifying existing policies and procedures. Examples of performance measures include calculating an inventory record accuracy rate, summarizing the number and dollar value of adjustments, errors, or items counted. A lack of performance measures may hinder management's ability to assess the effectiveness of inventory controls and the inventory count process.
- B. Management does not formally analyze and monitor its inventory to determine the inventory turnover rate, appropriate reorder points and optimal order quantities. According to Broward County Transit's policies and procedures (*Storekeeper Training*

Program at Broward County Transit), it is the responsibility of storeroom employees to analyze, monitor and manage inventory with optimization in mind. The policies and procedures specify the use of min-max replenishment with the minimum calculation based on the expected demand during lead time plus safety stock. The maximum is a calculation of historic demand economic order quantity or periodic order quantity added to the minimum. Lead time is defined as the normal usage of an item in inventory during the period of time it takes to analyze, requisition, purchase and receive that item. Safety stock is the portion of the inventory maintained to allow for fluctuation in lead time and demand. Management should formally monitor its inventory. Failure to adequately monitor inventory increases the risk of the warehouse being inadequately stocked, potentially higher inventory carrying costs and increased risk of obsolescence.

Recommendation 14

We recommend management:

- A. Develop and use performance measures to evaluate the results of the annual physical inventory count.
- B. Strengthen its inventory monitoring practices to determine appropriate reorder points and optimal order quantities.

MANAGEMENT'S RESPONSE



KEVIN B. KELLEHER, Assistant County Administrator

115 S. Andrews Avenue, Room 409 • Fort Lauderdale, Florida 33301 • 954-357-7320 • FAX 954-357-7360

MEMORANDUM

DATE: September 30, 2022

TO: Robert Melton, County Auditor

FROM: Kevin B. Kelleher, Assistant County Administrator 

SUBJECT: **Management Response to County Auditor's Report of Purchasing & Inventory Management at the Transit Division (Transportation Department)**

The Transportation Department (BCT) and the Purchasing Division (Purchasing) have reviewed the Office of the County Auditor's Report on the Audit of Purchasing & Inventory Management at the Transit Division (Transportation Department) and submits the following as Management's response.

In summary, Management concurs with the Auditor's overall conclusion that procurement transactions in the Transportation Department are for reasonable and necessary business purposes, in accordance with laws, rules, and regulations, and are purchased in the most cost-effective manner. Further, Management acknowledges that certain procedures and controls over work order and inventory systems can be enhanced, and BCT has already implemented many new procedural enhancements, as identified in the Auditor's report and in Management's response below and is working on others.

Below are detailed responses to each of the Auditor's areas of immediate concern, the opportunities for improvements, and recommendations.

SECTION I: AREAS OF IMMEDIATE CONCERN

Recommendation 1. Inventory Distribution Procedures are not Consistently Followed, Increasing Risk of Misappropriation. We recommend management:

A. Require all parts to be distributed using a work order unless the item is specifically exempted for distribution using direct issue by management.

RESPONSE: ***Management concurs and implemented.*** Broward County Transit (BCT) Materials Management Section revised the Parts Issuance Standard Operating Procedures (SOP) to require that all parts will be distributed using a work order, unless specifically defined as a direct issued item for a quick fix such as light bulbs, nuts and

bolts. BCT has updated its SOPs and the BCT Materials Management Section will monitor for compliance.

B. Prohibit the use of generic or blank equipment numbers in AssetWorks unless the item is specifically exempted from this requirement by management.

RESPONSE: *Management concurs and implemented.* BCT Materials Management Section worked with the Transit IT AssetsWorks Administrator to delete the generic bus identification numbers from the system. The deletion of the generic bus ID numbers eliminates the ability for the codes to be utilized. In addition, BCT updated the Parts Issuance SOP to provide that the use of generic bus identification numbers is prohibited.

C. Ensure that appropriate segregation of duties is established and enforced for inventory transfers.

RESPONSE: *Management concurs and implemented.* In October 2021, the BCT Materials Management Section has implemented the segregation of duties for the creation, fulfillment and receiving of inventory transfers. Additionally, the Inventory Transfers SOP has been updated to reflect the definition of the job titles and responsibilities for transferring inventory. Specifically, this updated SOP defines the safeguards for issuing and receiving inventory when Storeroom personnel are not available, and the duties are being fulfilled by a Bus Mechanic as allowed by the Collective Bargaining Agreement. BCT Materials Management Section monitors for compliance.

D. Enhance standard operating procedures to include the following:

- i. Requirements to adequately account for the issuance of inventory without a work order (i.e., direct issue).
- ii. Specific processes and safeguards for issuing or receiving inventory when storeroom personnel are unavailable. In such instances, a mechanic may work as a storekeeper when a storekeeper is not on duty creating a potential segregation of duties conflict.
- iii. Adequate controls to ensure appropriate segregation of duties to prevent a single individual from requesting, filling, and receiving transferred inventory.
- iv. Time requirements for transfers to be completed.

RESPONSE: *Management concurs and implemented.* BCT Materials Management Section has revised the appropriate SOPs to include the recommendations listed above and the BCT Materials Management Section will monitor for compliance. Specifically, the following actions have been implemented:

- i. The Parts Issuance SOP was revised to include requirements to adequately account for the issuance of inventory without a work order (i.e., direct issue).
- ii. The Inventory Transfers SOP was revised to include specific processes and safeguards for issuing or receiving inventory when storeroom personnel are unavailable. In such instances, a Bus Mechanic may work as a storekeeper when a storekeeper is not on duty creating a potential segregation of duties conflict.
- iii. The Inventory Transfers SOP was revised to include adequate controls to ensure appropriate segregation of duties to prohibit a single individual from requesting, filling, and receiving transferred inventory.
- iv. The Inventory Transfers SOP was revised to include specific time requirements for transfers to be completed.

Recommendation 2: Physical Security Controls Safeguarding Inventory Are Inadequate. We recommend management:

A. Implement procedures to periodically obtain and review the listing of all individuals with keycard access to the inventory rooms to evaluate whether access is appropriate. The listing should include all individuals, from all access groups, who have keycard access to all inventory room doors. In addition, management should ensure that authorized physical access forms are retained and maintained.

RESPONSE: ***Management concurs and implemented.*** BCT has implemented a process with Broward County Facilities Management Division (FMD) for the quarterly review of all individuals with keycard access to any BCT inventory room to ensure appropriate access. The new process includes the BCT Safety, Security and Compliance Section performing a review of the quarterly listing of "authorized" inventory room employees from FMD. Then, if necessary, the BCT Safety, Security and Compliance Section will coordinate any appropriate revisions with FMD.

BCT currently maintains hard copies of internal access control request authorizations. An additional process has been implemented to electronically retain and maintain internal access control requests authorizations by the BCT Safety, Security and Compliance Section. The new electronic access control request authorization process greatly enhance the maintenance and retainage of authorized physical access records.

B. Explore the use of physical access cards to the Copans inventory room to improve tracking and employee accountability. In addition, we recommend that if a physical key is used, management should implement additional monitoring controls, such as security cameras, and ensure the possession of physical keys is adequately tracked.

RESPONSE: *Management concurs and implemented.* In October 2021, BCT completed a project with FMD to install additional badge readers and security cameras at the Copans Road inventory room. Additionally, BCT upgraded the entire security surveillance system at the Copans Road Operations and Maintenance Campus in January 2022. BCT now uses physical access cards to improve tracking and employee accountability for the inventory room. In addition, BCT and FMD installed badge readers and security cameras at the Ravenswood Road. BCT has discontinued the use of physical keys for inventory rooms where badge readers and security cameras are installed at both Copans Road and Ravenswood Road facilities.

C. Develop formal policies and procedures governing the authorization and revocation of access to inventory, job functions that require access inventory, segregation of duties, and access monitoring.

RESPONSE: *Management concurs and implemented.* BCT has implemented a Standard Operating Procedure (SOP) for access to inventory rooms based on job function and appropriate segregation of duties. As identified earlier, all authorized individuals within their appropriate access groups will be reviewed quarterly by the BCT Safety, Security and Compliance Section and any necessary changes coordinated with FMD.

D. Ensure all entrances and exits to areas where inventory is stored at the Copans, and Ravenswood facilities are adequately secured.

RESPONSE: *Management concurs and implemented.* All existing storage containers at the Copans Road and Ravenswood Road facilities have locks. In addition, all materials in unsecured areas have been placed in secured areas, or in additional storage containers. Security cameras have also been installed to monitor storage container access. Finally, badge readers and security cameras have been installed at for all access doors cited in the Audit Report.

Recommendation 3: Purchasing Cards are not Deactivated or Cancelled Timely. We recommend management:

A. Implement procedures to ensure the P-Card Administrator is immediately notified of P-Card cancellations for all employee terminations and transfers.

RESPONSE: *Management concurs and implemented.* BCT has enhanced its existing procedures to ensure the P-Card Administrator is immediately notified of P-Card cancellations for all employee terminations and transfers. This enhanced process is part of BCT's Human Resources Off-Boarding process.

B. Ensure P-Card cancellation notifications are communicated in accordance with the P-Card Manual.

RESPONSE: *Management concurs and implemented.* In the circumstance cited in the audit, the BCT request to cancel the P-card was not submitted to the pcardadmin@broward.org mailbox, which is monitored by the P-Card Administrator. The Purchasing Division issued a memorandum on October 13, 2020, clarifying the process of P-Card cancellation to the BCT P-Card Coordinator. The process has been noted and implemented by the P-Card Coordinator.

C. Ensure appropriate procedures are in place to prevent the use of P-Cards after the authorized employee's transfer or termination date and ensure any transaction that occurs after the separation date are identified and investigated.

RESPONSE: *Management concurs and implemented.* As discussed above, BCT has enhanced its existing procedures to ensure the P-Card Administrator is immediately notified of P-Card cancellations for all employee terminations and transfers. This enhanced process is part of BCT's Human Resources Off-Boarding process.

SECTION II: OPPORTUNITIES FOR IMPROVEMENT

Recommendation 4: Master Agreements are not Consistently Utilized, Where Available. We recommend management:

A. Implement procedures to monitor and enforce the use of master agreements, where available.

RESPONSE: *Management concurs and implemented.* Procedures are in place to monitor and enforce the use of master agreements, where available. In order to improve and monitor compliance with this procedure, BCT has created the "Purchase Request Form Cover Sheet" which is required on all P-Card transactions. This form requires that all P-Card purchases be checked for active master agreements. It also requires that the master agreement contract number will be entered on the form prior to approval. The new "Purchase Request Form Cover Sheet" was put into effect on January 1, 2022.

B. Establish or piggy-back on master agreements with vendors to cover frequent purchases, where practical.

RESPONSE: *Management concurs and implementation is in progress.* The Transit Purchasing Section will prepare and distribute a biannual report to all Divisions within the Transportation Department summarizing vendors with large numbers of purchases occurring, but with no master agreement in place. The Assistant General Manager or Director from each Division will be responsible for reviewing these transactions and recommending the establishment of master agreements or piggy-backing on existing

master agreements where possible. The new biannual report of vendors with multiple purchases will be implemented by October 31, 2022.

Recommendation 5: P-Card Program Requirements are not Consistently Followed. We recommend management:

A. Take appropriate disciplinary actions defined in the P-Card manual for any employee involved in splitting and ensure appropriate procedures are implemented for approvers to identify split transactions.

RESPONSE: *Management partially concurs.* Management acknowledges the need to take appropriate corrective action when splitting of purchases is identified. However, no incidents were identified. In the event P-Card transactions are identified for any employee involved in splitting of purchases to circumvent the \$3,500 single transaction limit, BCT management will ensure that appropriate corrective actions are taken, including immediate revocation of the P-Card.

B. Ensure that cardholders submit all the required supporting documentation for P-Card purchases and work with the ERP team to prevent supporting documents becoming unlinked from transactions in PeopleSoft.

RESPONSE: *Management partially concurs and implemented.* Although BCT staff submitted appropriate supporting documentation in PeopleSoft, there was an ongoing issue where some uploaded supporting documents became unlinked from the parent transaction. Based on a review with ERP, a new process has been implemented to re-establish the link between the master record and the existing supporting documents. This was completed July 31, 2021. BCT will continue to work with the ERP team to prevent supporting documents from becoming unlinked from transactions in PeopleSoft.

C. Ensure all P-Card purchases are delivered to a County location.

RESPONSE: *Management concurs and implemented.* Procedures are in place for the P-Card Coordinator to review all P-Card purchases in PeopleSoft on a weekly basis to ensure compliance with P-Card policies and procedures, including the proper delivery location. Additionally, BCT will ensure that appropriate corrective disciplinary actions are taken for any employee who delivers goods/services to an unauthorized location (i.e., personal residence). This procedure was implemented October 1, 2021.

Recommendation 6: Monthly P-Card Activity Reviews by Agency Directors Require Enhancement. We recommend management:

RESPONSE: *Management concurs and implemented.* Procedures are in place for Agency Directors to review monthly P-Card transaction reports and to maintain documentation to demonstrate their due diligence in reviewing transaction reports for

unauthorized transactions and non-compliance with County policies and procedures. This procedure was implemented by the Purchasing Division on August 4, 2021.

Recommendation 7: The P-Card Program Requires Enhancement. We recommend management:

A. Enhance the P-Card program by requiring periodic refresher training, especially when changes are made to the program.

RESPONSE: *Management concurs and implementation is in progress.* BCT will conduct annual refresher training for P-Card holders and approvers on P-Card program policies and procedures. BCT will be scheduling the internal training session by October 31, 2022.

B. Update the P-Card manual to reflect the threshold increase for capital assets.

RESPONSE: *Management concurs and implementation is in progress.* The P-Card Manual is under review and being updated by the Purchasing Division. The updated manual is anticipated to be issued by October 31, 2022.

Recommendation 8: Capital Equipment are not Consistently Flagged in the Accounting System and Tagged. We recommend management:

A. Ensure capital assets are properly identified in the County's accounting system once the PeopleSoft Purchasing and Financials Asset Management module is implemented.

RESPONSE: *Management concurs and implemented.* BCT has worked with the Accounting Division to ensure capital assets are properly identified in the County's accounting system via the PeopleSoft Asset Management module.

B. Work with the Accounting Division to ensure capital assets are properly asset tagged in compliance with County policies and procedures.

RESPONSE: *Management concurs and implementation is in progress.* P-Card individual transactions are limited to \$3,500. Effective October 1, 2020, the capital asset threshold was increased to \$5,000. Transactions above \$3,500 must be approved by the Agency Director, P-Card Administrator and Director of Purchasing. Senior Management will ensure that capital assets are properly flagged and tagged as part of this approval process.

As previously discussed, BCT will conduct an annual refresher training for P-Card holders and approvers on the P-Card program policies and procedures, including capital asset tagging. BCT will be scheduling the internal training session by October 31, 2022.

SECTION III: INVENTORY MANAGEMENT

Recommendation 9: Inventory Purchase and Receiving Procedures are not Consistently Followed. We recommend management:

A. Implement adequate procedures to ensure inventory purchases, purchased through the general procurement process or P-Card, are entered into the inventory system.

RESPONSE: *Management concurs and implemented.* BCT Materials Management Section has implemented a P-Card SOP which includes entering the purchased items in the inventory system.

B. Ensure all general procurement purchases are appropriately received and signed for by someone independent of the purchaser.

RESPONSE: *Management concurs and implemented.* BCT Materials Management Section has implemented an Inventory Receiving SOP to ensure that purchases are appropriately received and signed for independent of the purchaser. The Storekeeper is responsible for receiving the purchases, checking the quantities, and signing the packing slip. The Warehouse Supervisor is responsible for reviewing the information from the Storekeeper and entering the correct quantities and other information into AssetWorks. Then, the Materials Management Manager and Assistant General Manager of the Operations Division each review and approve, confirming the employee receiving the purchase was independent of the purchaser.

Recommendation 10: Annual Physical Inventory Counts are not Conducted in Compliance with County Policy.

A. Conduct the annual physical inventory counts in compliance with County policies procedures. For instances, where exceptions to County Policy are required, management should ensure such exceptions are formally approved by the appropriate authority, and adequate mitigating controls identified and evaluated.

RESPONSE: *Management concurs.* Due to the COVID-19 pandemic and to promote social distancing, BCT did not use a two person count team during the FY 2020 physical inventory count. If necessary for future inventory counts, BCT will develop and document adequate mitigating controls. BCT will use a two person count team for future physical inventory counts if the activity can be performed safely.

B. Update AssetWorks to reflect the actual inventory on hand as a result of the annual inventory count.

RESPONSE: *Management concurs and implemented.* BCT has established a SOP to update AssetWorks to reflect the actual inventory on hand as a result of the annual inventory count.

Recommendation 11: User Access to the Inventory System is not Adequately Designed to Enforce County Policies. We recommend management:

A. Ensure administrator access within AssetWorks is adequately designed to restrict access based on employee job responsibilities and segregation of duties restrictions as required by County Policy.

RESPONSE: *Management concurs and implemented.* AssetWorks System Administrator access has been restricted to the Transit Information Technology (IT) Applications staff who manage AssetWorks as part of their job responsibilities.

In addition, BCT has developed a SOP that will prohibit AssetWorks System Administrators from making inventory adjustments on behalf of users.

Finally, the Transit IT Section has worked with Enterprise Technology Services (ETS) and the Broward County Port Finance Section to properly restrict access of Port staff to Port activities.

B. Ensure user access within AssetWorks is adequately designed to restrict access based on employee job responsibilities and segregation of duties restrictions as required by County Policy.

RESPONSE: *Management concurs and implemented.* Transit IT Applications team worked with the Materials Management Section and Bus Maintenance Section to appropriately restrict access based on job responsibilities.

C. Establish policies and procedures to periodically review user activity logs within AssetWorks incompatible actions and abnormalities.

RESPONSE: *Management concurs and implemented.* A process is currently in place by BCT Materials Management Section to review the user activity log. The Materials Management Section has developed an SOP to document the process and ensure these reviews are conducted in a timely manner and ensure any inappropriate inventory activity is addressed. It should be noted that it is not currently possible for a work order to be deleted if it has a part assigned to it. The part would have to be returned in the system by the Storekeeper in order to delete a work order.

Recommendation 12: Significant Inventory Deficiency Threshold Should be Evaluated and Formally Approved. We recommend management:

A. Evaluate and formally approve the significant deficiency inventory threshold.

RESPONSE: *Management concurs and will continue to conduct the evaluation.* At the end of the Annual Inventory Count, the Accounting Manager will continue to recommend the “significant deficiency inventory threshold” amount based on the value of the total inventory. A memorandum will then be submitted to the Transportation Department Director for formal approval.

B. Investigate all significant discrepancies between the physical count and the on-hand balance in AssetWorks.

RESPONSE: *Management concurs and implemented.* BCT has established an SOP to ensure all significant discrepancies between the physical count and the on-hand balance in AssetWorks will be investigated and reconciled.

Recommendation 13: Established Processes for Handling Obsolete, Surplus, or Damaged Inventory Require Enhancement. We recommend management:

A. Adequately segregate, store and secure obsolete, surplus, or damaged inventory.

RESPONSE: *Management concurs and implemented.* BCT Materials Management Section has updated the SOP for obsolete, surplus and damaged inventory by identified specific locations. On an annual basis all obsolete, surplus and damaged inventory will be placed on pallets and submitted to Fleet Services Division for disposal and/or auction. Surplus Notification Forms (SNF), Form 403-703 with authorized signatures is used to document the disposal and/or auction.

B. Implement procedures to ensure that all payments for scrap metal are received by the accounting department.

RESPONSE: *Management concurs and implemented.* BCT Materials Management Section, with the support of the BCT Accounting Section, has revised the Scrap Metal SOP to include a process to ensure that receipts contain information related to the pick-up as well as estimated weight and/or amount of material picked up are submitted to the BCT Accounting Section to record as accounts receivable.

Recommendation 14: Oversight of Physical Inventory Management Should be Enhanced. We recommend management:

A. Develop and use performance measures to evaluate the results of the annual physical inventory count.

RESPONSE: *Management concurs and implementation is in progress.* BCT Accounting Section will develop and define the performance measure to evaluate the results of the physical inventory count per GAO best practices provided during the audit. Beginning with the FY2022 Annual Inventory Count, BCT Accounting Section will implement the performance measures and evaluation process.

B. Strengthen its inventory monitoring practices determining appropriate reorder points and optimal order quantities.

RESPONSE: *Management concurs and implemented.* BCT Materials Management Section has revised its manual ordering practice to a system generated ordering process through AssetWorks. The process includes the minimum and maximum reordering points for all items in inventory.

Thank you for the opportunity to respond and provide Management's comments to the Audit. If there are any additions, deletions/omissions, or other changes or modifications to Management's response, please provide us the opportunity to review prior to issuance. Should you have any questions, please do not hesitate to contact me or Deputy General Manager Tim Garling.

Cc: Monica Cepero, County Administrator
Kimm Campbell, Assistant County Administrator
George Tablack, CFO
Tim Garling, Deputy General Manager, Transportation Department
Bob Gleason, Director, Purchasing Division
Andrew Meyers, County Attorney