CITY OF ATLANTA
City Auditor's Office
Leslie Ward, City Auditor
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Performance Audit:

Department of Public Works Fleet Services Inventory Controls

Why We Did This Audit

We undertook this audit because of risks we identified in our 2008 audit of fleet services and due to the inherent risks in managing inventory. The recorded value of fleet services' inventory of vehicle parts was $1.9 million as of March 1, 2011.

What We Recommended

In order to improve the security and accuracy of the Office of Fleet Services' inventory and increase operational efficiency, the commissioner of public works should:

- work with procurement and information technology to link Oracle and Fleet Focus records or develop an alternative method to facilitate reconciling inventory and purchase records

- conduct a 100% inventory count, reconcile discrepancies, and record the location of all parts; conduct periodic counts at all parts facilities and reconcile discrepancies

- ensure that unit costs of like items are consistent in Fleet Focus, correct any incorrect costs and reimburse departments for any overcharges

- update written policies to ensure controls are consistent with current workflow and segregate incompatible duties

- consolidate parts warehouses to fewer facilities, limit key distribution, and improve security to better safeguard inventory and improve operational efficiency

- require Fleet Focus users to change passwords in the system at intervals consistent with best practices

For more information regarding this report, please contact Stephanie Jackson at 404.330.6678 or sjackson@atlantaga.gov

What We Found

The Office of Fleet Services' inventory records overstate the total value and number of items on hand, which indicates potential for theft or fraud and reduces operational efficiency. As of March 1, 2011, about 18,000 parts, valued at about $500,000 of fleet services' $1.9 million parts inventory, had no physical location recorded. The items with unspecified locations are primarily parts, but also appear to include some supplies and labor related items. We also identified discrepancies between inventory records and the number of items on the shelf in 9 of a random sample of 30 parts. These inaccuracies indicate risk of undetected theft and lost or missing assets. Further, employees were not conducting monthly counts of parts inventory, as required by fleet services' written policies.

Because the inventory and Oracle systems are not linked, staff enters information in both. This dual entry weakens the controls in each system intended to separate incompatible duties and ensure items are accounted for when received.

We observed security risks at all facilities except the airport locations, including inadequate lighting, unlocked rooms, rooftop access, a damaged perimeter fence, and distribution of keys to multiple people. Multiple parts locations make it difficult to properly staff and secure parts rooms and provide for adequate separation of incompatible duties. Although the number of parts specialists on staff is high relative to the number of mechanics, based on industry standards, fleet services' doesn't have enough parts specialists to cover all shifts at all facilities, requiring mechanics or mechanic supervisors to retrieve parts for repairs. Responsibility for maintaining custody of parts, initiating work orders to remove parts from inventory, and approving completed work orders should be separated among parts specialists, mechanics, and mechanic supervisors to limit opportunities for any individual to remove parts from inventory without record.