



### *Why We Did This Audit*

We undertook this audit of Watershed Management because our 2014 audit of the department's inventory management process identified control gaps.

### *What We Recommended*

To improve inventory accuracy and the accountability of fixed assets, the Watershed Management commissioner should:

- enforce procedures to ensure that both inventory records and on-hand quantities are accurate
- ensure that staff use monitoring reports to monitor and track inventory
- enforce procedures for conducting semi-annual wall-to-wall counts for accuracy and completeness
- clarify in procedures which items the Office of Asset Accountability Management should purchase and which items offices should purchase directly from vendors
- develop procedures for documenting information about fixed assets, including requiring the documentation of serial/identification numbers
- implement a barcode scanning system or similar technology to mitigate risks associated with manual processes
- affix GPS or other tracking technology to equipment used in the field
- assign staff to inspect fixed assets at least every two years as required by the Department of Finance's Capital Assets Policy and Procedures

For more information regarding this report, please use the "contact" link on our website at [www.atlaudit.org](http://www.atlaudit.org)

## *Performance Audit:*

### Department of Watershed Management Inventory and Fixed Assets

#### *What We Found*

Watershed Management spent an average of \$23 million annually for inventory, supplies, and non-capital equipment over the past eight fiscal years but has not fully implemented or enforced procedures developed in 2015 to protect its inventory. As a result, the quantity of inventory on hand is unknown, and theft or loss is likely to occur without detection.

The department is not complying with procedures to separate responsibilities for requesting, purchasing, and receiving between inventory management and warehouse management teams. Our 2014 audit recommended the department separate incompatible duties so that no individual is responsible for authorizing requisitions, maintaining custody of items, and keeping records.

Employees are not conducting wall-to-wall inventory counts at the six-month intervals as directed by procedures. The last wall-to-wall count was conducted in June 2018. A goal of the count is to validate the amount of inventory for financial reporting. Also, employees are not generating monitoring reports intended to prevent undetected theft and loss. Our sample of 256 items at two warehouses found inventory accuracy rates of 16% and 49%, which are well below the industry standard of 95%.

Watershed employees are also not complying with procedures for controlling fixed assets. The department could not initially locate 45 of 84 fixed assets, totaling \$2 million, from our random sample. Our sample included dump trucks and forklifts. Employees were able to later reconcile \$1,728,949 of the missing fixed assets, lowering the total of the unreconciled fixed assets in our sample to \$276,249. The department did not record sufficient information about the fixed assets to locate them. Employees told us that of the 34 fixed assets they were able to find later, 5 were decommissioned, 1 was sold, and 1 item belonged to another department.

## Management Responses to Audit Recommendations

Summary of Management Responses		
<p><b>Recommendation #1:</b></p> <p>We recommend that the Watershed Management commissioner enforce procedures to ensure that both inventory records and on-hand quantities are accurate.</p>		
<p><b>Response:</b> Agree</p>	<p><b>Status:</b> Started</p>	<p><b>Estimated Completion Date (M/Y):</b> 12/2022</p>
<p><b>Recommendation #2:</b></p> <p>We recommend that the Watershed Management commissioner ensure that staff use monitoring reports to monitor and track inventory as stated in procedures.</p>		
<p><b>Response:</b> Agree</p>	<p><b>Status:</b> Started</p>	<p><b>Estimated Completion Date (M/Y):</b> 12/2022</p>
<p><b>Recommendation #3:</b></p> <p>We recommend that the Watershed Management commissioner enforce procedures for conducting semi-annual wall-to-wall counts for accuracy and completeness as required in the procedures.</p>		
<p><b>Response:</b> Agree</p>	<p><b>Status:</b> Started</p>	<p><b>Estimated Completion Date (M/Y):</b> 12/2022</p>
<p><b>Recommendation #4:</b></p> <p>We recommend that the Watershed Management commissioner clarify in procedures which items the Office of Asset Accountability Management should purchase and which items offices should purchase directly from vendors.</p>		
<p><b>Response:</b> Agree</p>	<p><b>Status:</b> Started</p>	<p><b>Estimated Completion Date (M/Y):</b> 6/2023</p>
<p><b>Recommendation #5:</b></p> <p>We recommend that the Watershed Management commissioner develop procedures for documenting information about fixed assets, including requiring the documentation of serial/identification number.</p>		
<p><b>Response:</b> Agree</p>	<p><b>Status:</b> Not Started</p>	<p><b>Estimated Completion Date (M/Y):</b> 6/2023</p>

<p><b>Recommendation #6:</b></p> <p>We recommend that the Watershed Management commissioner implement a barcode scanning system or similar technology to mitigate risks associated with manual processes, and document and implement mitigating controls for manual processes into procedures until the barcoding system is implemented.</p>		
<p><b>Response:</b> Agree</p>	<p><b>Status:</b> Started</p>	<p><b>Estimated Completion Date (M/Y):</b> 6/2023</p>
<p><b>Recommendation #7:</b></p> <p>We recommend that the Watershed Management commissioner affix GPS or other tracking technology to equipment used in the field.</p>		
<p><b>Response:</b> Agree</p>	<p><b>Status:</b> Not Started</p>	<p><b>Estimated Completion Date (M/Y):</b> 6/2023</p>
<p><b>Recommendation #8:</b></p> <p>We recommend that the Watershed Management commissioner assign staff to inspect fixed assets at least every two years as required by the Department of Finance's Capital Assets Policy and Procedures.</p>		
<p><b>Response:</b> Agree</p>	<p><b>Status:</b> Not Started</p>	<p><b>Estimated Completion Date (M/Y):</b> 6/2023</p>