



AUDIT REPORT



To preserve the public trust as guardians of the people's records and assets

DATE November 3, 2023

NO. 2023-003

PUBLIC WORKS MAINTENANCE AND OPERATIONS

PUNTA GORDA YARD INVENTORY

MID-YEAR FEBRUARY 1, 2023

INTERNAL AUDIT DIVISION
ROGER D. EATON
CLERK OF THE CIRCUIT COURT AND COUNTY COMPTROLLER
CHARLOTTE COUNTY FLORIDA



ROGER D. EATON
Clerk of the Circuit Court and County Comptroller

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To: The Honorable Roger D. Eaton, Charlotte County Clerk of the Circuit Court and County Comptroller

From: Dan Revallo, Internal Audit Director

Date: November 3, 2023

Subject: Public Works M & O Punta Gorda Yard Inventory Mid-Year February 1, 2023

Honorable Clerk Eaton,

The Internal Audit Division has completed an audit of the Charlotte County Public Works M & O Punta Gorda Yard Mid-Year Inventory for 2023. Misti Payette Internal Auditor II conducted this review.

The audit client's response is attached to this report. We would like to thank client management and staff for their cooperation and assistance in the completion of this audit.

The report will be posted to the Clerk of Courts website, charlotteclerk.com, under Internal Audit, Audit Reports. A link to this report has been sent to the appropriate parties.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "Daniel Revallo". The signature is written in a cursive style with a long horizontal stroke at the end.

Dan Revallo, CIA, CFE
Internal Audit Director
Charlotte County Clerk of the Circuit Court and County Comptroller

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
BACKGROUND	2
AUDIT OBJECTIVES	3
SCOPE AND METHODOLOGY	3
COMMENTS AND RECOMMENDATIONS	3
CONCLUSION.....	4
ACKNOWLEDGEMENT	4

EXECUTIVE SUMMARY

The Internal Audit Division completed an audit of the Charlotte County, Public Works Department's physical inventory procedures. Specifically; Internal Audit observed the procedures performed at the Department's Maintenance & Operations – Punta Gorda (PG) Yard. The Maintenance & Operations (M&O) Division is dedicated to sustaining the Charlotte County roadways and right-of-ways.



The Public Works Department's physical inventory procedures are generally performed on or near the County's fiscal year end, September 30th, each year. However, due to the impacts of Hurricane Ian on Charlotte County, procedures were postponed. The procedures were performed on February 1, 2023.

The procedures performed and observations made by the Internal Audit Division determined:

- the physical inventory procedures appear both adequate and effective;
- the parts and materials maintained appear adequately safeguarded;
- the staff observed appear both knowledgeable and professional in their duties; and
- the duties performed by staff were appropriately segregated and consistent with policy.

Control weaknesses were identified; generally however, controls evaluated were adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.

Based upon the results of our audit, we offer a summary of recommendations. These recommendations are discussed in detail later in this report:

1. **We recommend** Fiscal Services ensure the necessary reports from Cityworks are readily available and strengthen oversight and controls over reconciliation procedures to ensure timely completion of reconciliations going forward.

BACKGROUND

The Charlotte County Public Works Department employs a skilled and engaged workforce to enhance the quality of life for residents by continually improving the infrastructure and providing services in a cost-effective manner to meet the needs of the community.

The Department, as a whole, builds and maintains roadways, bridges, navigable waterways, stormwater infrastructure, traffic lights and signs, rights-of-ways and landscaping in the unincorporated areas of Charlotte County, all while protecting and preserving the environment.

The Public Works Department also provides solid waste management, including curbside service and operation of the County landfill, manages mosquito and aquatic weed control programs, and operates the Indian Spring and Lieutenant Carl Bailey Cemeteries.

The Department's Maintenance & Operations (M&O) Division is dedicated to sustaining the Charlotte County roadways and rights-of ways. M&O inventory is currently maintained at the County's PG Yard located in Punta Gorda and the San Casa Yard located in Englewood.



Prior to fiscal year 2023, Enterprise Asset Management System (EAMS) software was used for the Department's parts and materials inventory and control. EAMS is a computerized maintenance and asset management system. On October 1, 2022, the Department's parts and materials inventory were transferred from the EAMS software to Cityworks software.

The Department's M&O Division and Traffic, Signs & Markings shop inventory are accounted for within the County's *Transportation Trust Fund* within the Eden general ledger, and valued at cost using the average cost method. Eden is a government financial software program.

The Fiscal Services Division performs physical inventory count procedures and reconciles inventory, between the asset management system and the Eden general ledger, annually.

Below are the combined inventory levels maintained for the M&O Division and the Traffic, Signs & Markings shop:

- September 30, 2020 \$574,450
- September 30, 2021 \$549,349
- September 30, 2022 \$564,894
- February 1, 2023 \$1,722,630

AUDIT OBJECTIVES

1. Observe the physical inventory counts and evaluate the adequacy and effectiveness of internal controls over the inventory process.
2. Determine that adequate segregation of duties exists in the physical inventory process.
3. Ensure that inventory assets are properly safeguarded.
4. Ascertain that the final inventory reconciliation is accurate and the general ledger is properly updated.

SCOPE AND METHODOLOGY

Internal Audit observed the Public Works Department's Maintenance & Operations (M&O) Division physical inventory procedures performed at the PG Yard in Punta Gorda on February 1, 2023.

Our observations enabled us to determine a) if procedures performed and controls in place are both adequate and consistent with those documented, b) if the inventory is properly safeguarded, and c) if proper segregation of duties were practiced throughout the procedures.

Internal Audit also performed independent test counts. Test counts were selected, at random, from the Cityworks Master Inventory report as well as from the inventory located onsite at the M&O - PG Yard.

COMMENTS AND RECOMMENDATIONS

1. Cityworks Reports Unavailable Delaying Reconciliation Procedures

The Public Works Department inventory, including Maintenance & Operations (M&O) inventory, was transferred from the Enterprise Asset Management System (EAMS) to Cityworks on October 1, 2022. As of May 8, 2023, the Cityworks reports needed to reconcile the Public Works inventory were still pending from the vendor, which delayed the Fiscal Services Division from completing a reconciliation between Cityworks software and the Eden general ledger.

On August 24, 2023, the County Assets Manager informed Internal Audit the Cityworks reports were available. Same day, the Fiscal Inventory Accountant, upon request, provided the Public Works M&O and Traffic, Signs and Marking (TSM) combined reconciliation completed on July 14, 2023 and approved on July 20, 2023. The Eden general ledger was adjusted on July 21, 2023. Support documents were provided but independent Cityworks reports (i.e. count discrepancy reports, post count reports) were not available. Per the Fiscal Inventory Accountant, the Cityworks reports were not printed and cannot be recreated. Instead, Excel spreadsheets, which are manually created documents, were used to identify count discrepancies.

We recommend Fiscal Services ensure the necessary reports from Cityworks are readily available and strengthen oversight and controls over reconciliation procedures to ensure timely completion of reconciliations going forward.

CONCLUSION

Control weaknesses were identified; generally however, controls evaluated were adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.

ACKNOWLEDGEMENT

We would like to thank the County's Public Works Department; specifically, the Maintenance and Operations Division, the Fiscal Services Division, as well as the Comptroller's Finance Division for their assistance in the completion of this audit.

Audit performed by:

Misti Payette, CIA, CRMA, CGAP

Internal Auditor II

Charlotte County Clerk of Court and Comptroller



MEMORANDUM

Date: 09-12-23

To: Dan Revallo, Internal Audit Director, Charlotte County Clerk of Court and Comptroller

From: Mary Jane Sykes, Financial Manager, Charlotte County Board of County Commissioners

CC: Richard Arthur, Division Manager, Charlotte County Board of County Commissioners
Gordon Burger, Director of Budget and Administrative Services, Charlotte County Board of County Commissioners

Subject: Responses to the Internal Audit on Year End Inventory Audit –PW MO PG Yard

- 1.) Recommendation: Fiscal Services ensure the necessary reports from Cityworks are readily available and strengthen oversight and controls over reconciliation procedures to ensure timely completion of reconciliations going forward.

Response: Fiscal Services appreciates the auditor comments about adequate internal controls. Fiscal staff used an audit quantity change report from Cityworks to complete the reconciliation in March and the journal entry reported on July 14th, approved on July 20th, after the audit end date. The Cityworks Audit Quantity Change Report was not provided during the audit but multiple reports from Cityworks were used in the reconciliation and provided as backup. Additionally, the Cityworks report was included in the journal entry backup and documents each inventory adjustment that was identified during the inventory count that required an adjustment. The audit quantity change report displays the original inventory amounts prior to adjustment and the updated inventory amounts after the adjustments. This is reconciled to the Punta Gorda Yard inventory quantity counted workbook to ensure all adjustments are made. The Punta Gorda Yard inventory quantity counted workbook was provided to identify all other inventory that did not require a modification to document inventory that was not on the Cityworks audit quantity change report. Historically, Fiscal has provided an EAMS report with a zero entered as an adjustment for all inventory lines that did not require an adjustment. The EAMS report also included the total balances of inventory to reconcile to the count sheet total. Fiscal has ensured that Cityworks can produce this report for future inventory reconciliations. Fiscal intends to print this report as support for the reconciliation and the inventory adjustment journal entry moving forward.

Fiscal understands the importance of timely reconciliations. This year we implemented a new inventory system and needed to have new inventory reports developed in Cityworks. We used multiple Cityworks reports to complete the reconciliation and the last necessary Cityworks report was built by software implementers in June. The report confirmed the amounts of inventory we received and the prices we paid for them. Once this report was available in June the reconciliation was finalized and the JE was completed. This report will be included in the reconciliation back up going forward. Cityworks is a new system and we have developed each of the reports we need for inventory for June 2023.



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