Follow-Up of the Audit of the Orange County Corrections Department Supply Warehouse

Report by the Office of County Comptroller

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February 23, 2012

Teresa Jacobs, County Mayor
And
Board of County Commissioners

We have conducted a follow-up of the Audit of the Orange County Corrections Department Supply Warehouse (Report No. 373). Our original audit included the period of October 2004 to March 2005. Testing of the status of the previous Recommendations for Improvement was performed for the period September 1, 2010 through May 31, 2011.

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.

The accompanying Follow-Up to Previous Recommendations for Improvement presents a summary of the previous condition and the previous recommendation. Following each recommendation is a summary of the current status as determined in this review.

We appreciate the cooperation of the personnel of the Corrections Department during the course of the audit.

Martha O. Haynie, CPA County Comptroller

c: Ajit Lalchandani, County Administrator Michael Tidwell, Chief of Corrections

IMPLEMENTATION STATUS OF PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT

FOLLOW-UP OF THE AUDIT OF THE ORANGE COUNTY CORRECTIONS DEPARTMENT SUPPLY WAREHOUSE STATUS OF PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT

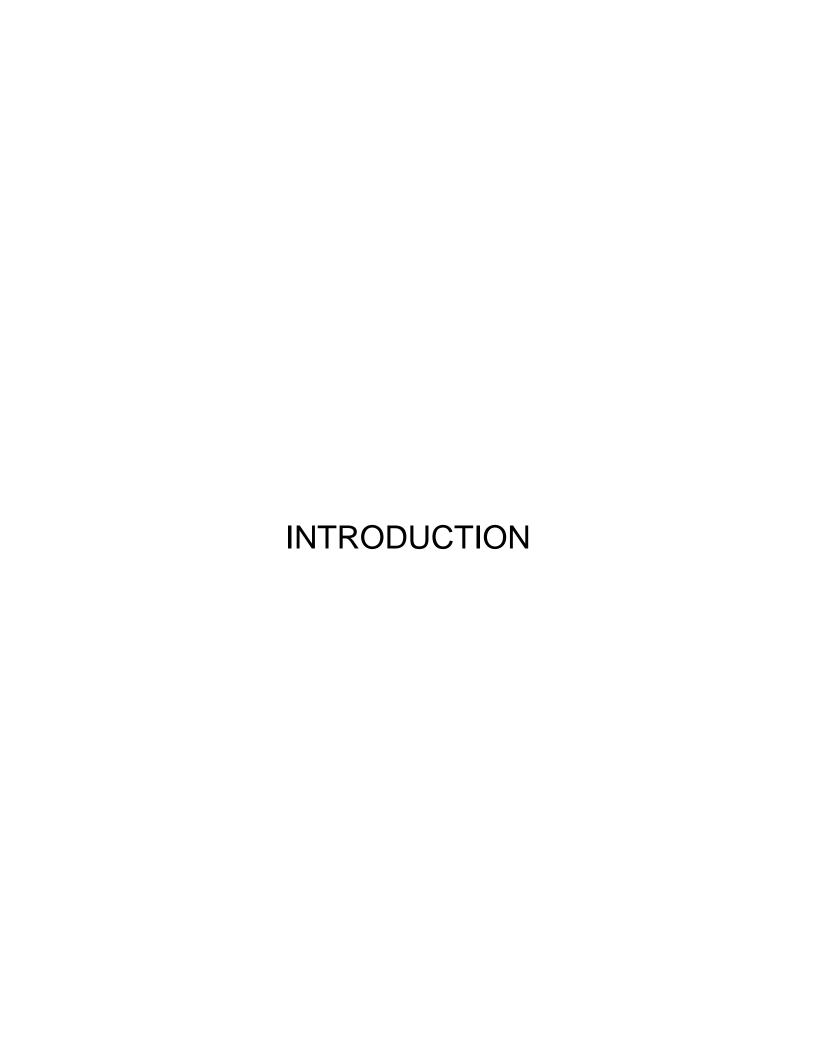
NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS			
		IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
1.	We recommend the Division, in coordination with Risk Management, creates written safety procedures for the warehouse; including at a minimum, the following:				
A)	Storing supplies in a safe manner away from exits and fire hoses;	✓			
В)	Establishing additional parameters with the current security company for monitoring of the warehouse (these parameters should address deactivation outside of work hours and lack of activation by the end of the workday);	✓			
C)	Storing used Correctional officer uniforms in another location out of easy access by inmate workers;	✓			
D)	Reviewing current SOPs to determine whether it is necessary for the Supply Warehouse staff to keep a log recording supervision of the inmate workers; and,				✓
E)	Arranging a fire inspection for the Supply Warehouse with the Office of the Fire Marshal.		\checkmark		
2.	We recommend that the Division performs a physical count of all items in the warehouse to ensure that records are brought up to date and are complete. Division SOPs should be followed so that inventories are conducted and reported upon in a timely manner. An agreement should also be reached with Fiscal or another division outside of Inmate Programming and Support to perform unscheduled inventory counts.	✓			

FOLLOW-UP OF THE AUDIT OF THE ORANGE COUNTY CORRECTIONS DEPARTMENT SUPPLY WAREHOUSE STATUS OF PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT

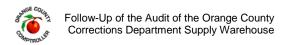
NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS			
		IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
3.	We recommend the following:				
A)	Issuances and receipts of all goods are recorded as they occur;	\checkmark			
В)	Records are created and maintained for all items stored in the warehouse;	\checkmark			
C)	Any forms and printed materials that are no longer needed should be destroyed after contacting user divisions; and,	✓			
D)	Corrections should consider performing a cost/benefit study to computerize the inventory system.	✓			
4.	We recommend the stamp number on the requisition be recorded with the corresponding issuances in the inventory record to allow timely and accurate matching of requisitions to issuances.	✓			
5.	We recommend the Corrections Department should expand their SOPs to include procedures for the periodic review of inventory records to identify items that may be obsolete. In addition, items should be disposed of that were found to be obsolete.		✓		
6.	We recommend the Division consider changes in their current practices, schedule, or location (while considering costs versus benefits) that would increase the amount of time employees are able to perform constructive tasks.	✓			

FOLLOW-UP OF THE AUDIT OF THE ORANGE COUNTY CORRECTIONS DEPARTMENT SUPPLY WAREHOUSE STATUS OF PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT

NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS			
		IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
7.	We recommend adequate segregation of duties exist in the ordering, receiving and issuing of cell phone supplies and appropriate records are maintained of receipts and issuances.		✓		



INTRODUCTION



Scope and Methodology

We have conducted a follow-up of the Audit of the Orange County Corrections Department Supply Warehouse (Report No. 373). Our original audit included the period of October 1, 2004 to March 31, 2005. In addition, certain matters occurring outside the audit period were also reviewed due to the nature of the inventory process. Testing of the status of the previous Recommendations for Improvement was performed for the period September 1, 2010 through May 31, 2011. Our follow-up audit was conducted in accordance with generally accepted government auditing standards and included such tests as we considered necessary in the circumstances.

We interviewed personnel with the Warehouse Supply Unit and Fiscal Services Division of the Corrections Department. We also reviewed source documents and performed the tests necessary to determine the implementation status of the previous recommendations. In the Follow-Up to Previous Recommendations for Improvement section of this report we have described the specific methodologies utilized during our review in the implementation status of each recommendation.

FOLLOW-UP TO PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT

1. The Warehouse Should Be Maintained in a Safe and Secure Manner

During the prior audit, we noted various safety and security concerns. These consisted of the unsafe storage of supplies, access to certain items by inmates, inadequate security system parameters, an inmate log that was not maintained to track supervision of inmate workers, and lack of a current fire inspection. In addition, we did not find any written safety procedures for the warehouse.

<u>We Recommend</u> the Division, in coordination with Risk Management, creates written safety procedures for the warehouse, including at a minimum, the following:

- A) Storing supplies in a safe manner away from exits and fire hoses;
- B) Establishing additional parameters with the current security company for monitoring of the warehouse (these parameters should address deactivation outside of work hours and lack of activation by the end of the workday);
- C) Storing used Correctional officer uniforms in another location out of easy access by inmate workers;
- Reviewing current SOPs to determine whether it is necessary for the Supply Warehouse staff to keep a log recording supervision of the inmate workers; and,
- E) Arranging a fire inspection for the Supply Warehouse with the Office of the Fire Marshal.

Status:

We reviewed the Supply Warehouse SOPs and noted that section V. Procedures, F. Warehouse Safety, 1. states, "Orange County Corrections has adopted the Occupational Safety and Health Administration Worker Safety Series

(WSS) Pocket Guide for Warehousing as the guide for safe operation of the warehouse."

- A) Implemented. We performed a physical tour of the Supply Warehouse and noted that inventory was stored in a safe manner. In addition, we reviewed the Annual Safety and Loss Prevention Inspection of the Corrections Department performed in November 2010 by the County's Risk Management Division and noted that there were no findings relative to the Supply Warehouse.
- B) Implemented. We verified that the Corrections Department entered into a written agreement with the security company in March 2006 to provide opening and closing reports for programming based on normal business hours. In addition, we reviewed the September 2011 report and verified that it included the date and time the alarm was activated/deactivated during the month. Further, staff was provided individual security system codes to more clearly identify who has accessed the Supply Warehouse.
- C) Implemented. We confirmed during a physical tour that used Correctional officer uniforms were not stored at the Supply Warehouse. In addition, interviews with management revealed that used uniforms are currently stored at a location that does not utilize inmate workers.
- D) Not Applicable. The use of the log has been discontinued. Supervision procedures observed during the audit period appeared adequate.
- E) Partially Implemented. We reviewed the Supply Warehouse SOPs and noted that section V. Procedures, F. Warehouse Safety, 5. states, "The Unit Supervisor will be responsible for ensuring the annual fire inspections are completed." However, interviews with management and a review of documentation from the Office of the Fire Marshal

revealed that although specific items have been reviewed, a complete inspection by the Office of the Fire Marshal has not occurred since the original audit.

<u>We Again Recommend</u> the Division arrange a fire inspection for the Supply Warehouse with the Office of the Fire Marshal.

Management's Response:

We concur and this item has been implemented. The Supply Warehouse occupies a leased building through the Orange County Lease Property Management Office and the Orlando Fire Marshal has already conducted a comprehensive fire inspection. To ensure comprehensive inspections occur on an annual basis, our Standard Operating Procedure (S.O.P.) now stipulates the Fiscal Officer will be responsible for ensuring an annual inspection.

2. Regular Physical Inventories Should Be Performed

During the prior audit, we noted there was no documentation of periodic inventory counts being performed at the warehouse. In addition, inventory records revealed that inventories were not conducted monthly as required by section V.A.10 of the Supply Warehouse SOPs. Further, unscheduled spot checks or full inventories were not performed by parties outside of the Supply Warehouse staff as allowed in section V.F.5 of the SOPs.

<u>We Recommend</u> that the Division performs a physical count of all items in the warehouse to ensure that records are brought up to date and are complete. Division SOPs should be followed so that inventories are conducted and reported upon in a timely manner. An agreement should also be reached with Fiscal or another division outside of Inmate Programming and Support to perform unscheduled inventory counts.

Status:

Implemented. We reviewed the Supply Warehouse inventory records and verified that an annual physical inventory count occurred in September 2010.

During our review of the inventory records, we also noted that weekly interim inventory counts of five items are performed and reported to the Manager of Fiscal Services. Given the frequency of internal counts and that the results are reported to and monitored by outside parties, periodic counts by outside parties were not necessary during the audit period.

3. Records Should Be Accurately and Completely Maintained

During the prior audit, we noted the following during our review of inventory records:

- Twenty-two percent (12 of 55) of the goods purchased and received by the warehouse were not logged in the inventory records.
- The quantities of goods shown in the inventory records often did not correspond with the actual amount stored in the warehouse.
- Records were not kept for forms and other printed materials stocked in the Supply Warehouse. Some of the forms may have been superseded or obsolete and may have needed to be destroyed.

In addition, inventory records were maintained in paper form and were more susceptible to being destroyed or lost than records in a computer format.

We Recommend the following:

- A) Issuances and receipts of all goods are recorded as they occur;
- B) Records are created and maintained for all items stored in the warehouse;
- Any forms and printed materials that are no longer needed should be destroyed after contacting user divisions; and,
- D) Corrections should consider performing a cost/benefit study to computerize the inventory system.

Status:

- A) Implemented. We traced requisitions from several source documents, including open and closed delivery orders/purchase orders and accounts payable disbursement/purchase card entries from the County's Advantage Financial System to receiving documents, invoices and the Supply Warehouse inventory records. We noted that all of the items recorded were materially accurate.
- B) Implemented. Inventory records are adequately maintained for all items stored in the warehouse.
- C) Implemented. We scanned Supply Warehouse correspondence with user departments and confirmed that obsolete forms and printed materials were removed from the inventory record.
- D) Implemented. Interviews with management revealed that the Supply Warehouse converted to the computerized MFG Software Solution, Inc. Tool Management System (MFG) in 2009.

4. Requisition Numbers Should Be Entered in the Inventory Record

During the prior audit, we noted that requisitions from ordering divisions are stamped with a unique identifier number as warehouse staff receives them. However, this number was not being recorded in the corresponding inventory record for the issuance of goods. This made tracing individual transactions in the manual system very difficult.

<u>We Recommend</u> the stamp number on the requisition be recorded with the corresponding issuances in the inventory record to allow timely and accurate matching of requisitions to issuances.

Status:

Implemented. We reviewed division requisition forms and the corresponding "Order Request" forms created in the computerized MFG inventory system and given to warehouse staff to prepare the goods for delivery. All of the forms included the unique identifier that allowed the requisition to be traced to the MFG inventory system.

5. Reviews Should Be Performed Periodically to Identify and Dispose of Obsolete Items

During the prior audit, we noted that 11 items out of approximately 320 items on hand were obsolete. The number of items identified indicates that regular reviews of the inventory records to identify obsolete items were not taking place.

<u>We Recommend</u> the Corrections Department should expand their SOPs to include procedures for the periodic review of inventory records to identify items that may be obsolete. In addition, items should be disposed of that were found to be obsolete.

Status:

Partially Implemented. We noted that the "Obsolete Item Process" was developed as Addendum No. 1 to the Supply Warehouse SOPs after the completion of audit field work. Notwithstanding, interviews with management and a scan of Supply Warehouse correspondence with user divisions revealed that informal reviews for obsolete items did occur. During our testing, we identified one obsolete inventory item.

<u>We Again Recommend</u> obsolete items be disposed of in a timely manner.

Management's Response:

We concur and this item has been implemented. On September 8, 2011 (during the follow-up audit), a process was implemented to include the periodic review of inventory records to identify items that are obsolete. The process includes directions regarding the disposal of obsolete items. The new process is in effect and will be published with our upcoming Warehouse S.O.P. revision in May 2012.

6. Consideration Should Be Given to the Location of the Warehouse to Aid in Reducing Transportation Costs

During the prior audit, we noted that, at a minimum, each staff member at the warehouse used an hour and thirty minutes each day transporting inmate workers to and from the Corrections complex. An analysis performed to determine the cost of this practice, using the employee's rate of pay at that time, found the cost exceeded \$1,400 per month.

<u>We Recommend</u> the Division consider changes in their current practices, schedule, or location (while considering costs versus benefits) that would increase the amount of time employees are able to perform constructive tasks.

Status:

Implemented. Interviews with management revealed that Supply Warehouse operations were moved to within two miles of the Corrections complex in November 2011.

7. There Should Be Adequate Segregation of Duties For Ordering, Receiving and Issuing Cell Phone Supplies

During the prior audit, we noted that there was one employee in Corrections Fiscal responsible for ordering cell phone supplies (such as batteries, cases, chargers, etc.), receiving the supplies and distributing them. In addition, there was no inventory record being kept for the cell phone supplies.

<u>We Recommend</u> adequate segregation of duties exists in the ordering, receiving and issuing of cell phone supplies and appropriate records are maintained of receipts and issuances.

Status:

Partially Implemented. Interviews with Inmate Fiscal Operations staff revealed that although purchases are authorized by management, one employee remains primarily responsible for receiving and issuing cell phone supplies. In addition, we found discrepancies in the amount recorded for twenty-one percent (3 of 14) of the items included in physical inventory.

<u>We Again Recommend</u> adequate segregation of duties exists in the ordering, receiving and issuing of cell phone supplies and appropriate records are maintained of receipts and issuances.



Follow-Up of the Audit of the Orange County Corrections Department Supply Warehouse

Management's Response:

We concur and this item has been implemented. The Corrections Department currently follows the Administration Regulation with regards to cell phone activities. During the original audit, we implemented a process to assist with the segregation of duties. However, based on this follow-up audit, additional processes have been implemented to include a control log for all cell phone accessories orders and accountability.