

INTERNAL AUDIT OFFICE
CHARLES COUNTY GOVERNMENT

AUDIT REPORT



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Tool Inventory Inspection Audit

DEPARTMENT/DIVISION:
Department of Public Works,
Building & Trades

REPORT NUMBER:
2024-DPW-006

REPORT DATE:
04/25/2024



Charles County Internal Audit Office

AUDIT OF DEPARTMENT OF PUBLIC WORKS – BUILDINGS & TRADES: TOOL INVENTORY INSPECTION

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Director of Department of Public Works, Internal Audit Oversight Committee, County Administrator & Deputy County Administrator:

In accordance with the Internal Audit Charter, SOP# CP.CAD.04.001, the Internal Audit Office (IAO) performed an audit of the Department of Public Works – Buildings and Trades: Tool Inventory Inspection. This audit was conducted as part of the IAO's risk-based Annual Audit Plan approved by the Internal Audit Oversight Committee for FY24. Internal Audits are designed to provide assurance, add value, and improve operations.

The scope of this engagement focused on ensuring the accuracy and accountability of tool inventory assigned to individuals within the Building and Trade Division through a surprise inspection. The audit's objective was to verify the presence of tools listed in the inventory records against the tools physically present in the vehicles.

The results of the audit, including any findings and recommendations for improvement are detailed in this report. We would like to thank the members of management for their teamwork and cooperation during the audit.

Sincerely,

Johnnie Coleman, Senior Internal Auditor

CONCLUSIONS

The IAO's conclusion, based on the evidence obtained, is that the Department of Public Works – Building and Trades: Tool Inventory Management is *effective*ⁱ. This assessment is based on the strengths and weaknesses of the entities' business operations as they relate to the audit objectives.

BACKGROUND & SCOPE

Background

The Department of Public Works (DPW) provides crucial services that improve the quality of life for the residents of Charles County and ensures County infrastructure and assets are safe and reliable. DPW is comprised of two main divisions, Facilities and Utilities, each of which is further divided into 4 subdivisions.

As a subdivision of Facilities, Buildings and Trades (B&T) is responsible for the operation and maintenance of County owned buildings. They plan, perform, and manage the maintenance, repair, renovation, and custodial services of these buildings. The technical and professional services performed by B&T include the construction, installation, maintenance, repair, rehabilitation, alteration, and replacement of mechanical; electrical; and heating, ventilation and air conditioning equipment, systems, and structures.

Across electrical, HVAC and maintenance trades, B&T employees over 30 technicians each with unique tools assigned to them determined by specialty, purpose, and frequency of use. Technicians are responsible for maintaining their tools and generally keep them on their assigned vehicles. To assist in accomplishing their work efficiently and effectively, the B&T Division utilizes the Infor inventory system for assigning and tracking staff tools.

Potential risks as it relates to tool inventory include fraud risks such as theft and operational risks such as ineffective management of staff tools. Based on the November 2022 risk assessment, the Internal Audit Oversight Committee agreed, as part of the FY 2023/2024 Audit Plan, that it was prudent for the Internal Audit Office (IAO) to conduct an internal audit of tool inventory at Utilities

Scope

The scope of this engagement focused on ensuring the accuracy and accountability of tool inventory currently assigned to individuals within the B&T Division through a surprise inspection.

Audit objective was to:

- Verify the presence of tools listed in the inventory records against the tools physically present in the vehicles.

The Internal Audit Office's approach involved testing audit objectives through evidence-analysis techniques, including reviewing department SOPs, interviewing personnel, and physical inventory counts. Detailed audit methods and procedures can be found in the methodology section of this report.

DISCUSSION, OBSERVATIONS, FINDINGS & RECOMMENDATIONS

Physical Counts

Discussion

During the physical inventory audit of tools across three technicians from electrical, HVAC, and maintenance trades, the auditor found the Infor inventory management system and B&T procedures to be effective and efficient. The tool inventory system reliably tracks tools assigned to individual employees, maintaining accurate records of current tools.

Minimal discrepancies were found between Infor records and actual inventory on technician vehicles. The auditor also notes the process for discrepancies is clearly established in B&T's Tool Assignment and Inventory Standard Operating Procedures.

There are no findings, recommendations, or observations at this time.

MANAGEMENT RESPONSE

Management is provided with the opportunity to respond to recommendations and their responses are summarized below. It is important to note that auditors don't implement recommendations as their role is investigative and advisory, lacking the managerial authority to enforce change. Management, on the other hand, holds the responsibility for implementation due to their authority over resources, decision-making, and strategic direction toward goals and objectives, making them accountable for addressing identified issues. As such, management may also have a valid rationale for existing processes or alternatives to audit recommendations.

As part of the typical audit process, management is provided with the opportunity to respond to recommendations. Given this audit resulted in no findings or recommendations, a management response was deemed unnecessary.

METHODOLOGY

Audit objectives were selected by the IAO to evaluate B&T general business functions as it relates to tool inventory management. The IAO's audit procedures included evidence-analysis techniques based on reviewing department SOP's, interviewing personnel, and physical inventory counts. The table below connects the auditing procedures used to evaluate the audit objectives.

Business Function: Inventory Management	
Audit Objectives	Audit Procedure(s) / Testing
Verify the presence of tools listed in the inventory records against the tools physically present in the vehicles.	<ul style="list-style-type: none">• Selected sample of technicians across electrical, HVAC and maintenance trades for a physical inspection. Three technicians were selected.• Conducted a physical inspection to compare Infor Inventory System tool lists to actual tools on trucks according to the process noted in the B&T Tool Assignment and Inventory Standard Operating Procedures.

Internal Controls

Internal controls can be defined as any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Implementation of recommendations noted in this report will strengthen controls. In all elements of the audit procedures, the auditor evaluates the design and effectiveness of controls. If deficiencies in design or effectiveness are noted, it is reported as a finding in this report.

Conformance

The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. These 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 does provide a reasonable basis for our findings and conclusions. Internal audits are designed to provide assurance, add value and improve operations.

Report Distribution:**Audit Team:**

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ⁱ Definitions:

Effective: The design and effectiveness of the internal control environment address key risks. The business unit complies with external laws and regulations, and internal policies, procedures, and guidelines. Business processes are managed effectively resulting in reliable achievement of expected outcomes.

Generally Effective: The design and effectiveness of the internal control environment generally address key risks; however, findings indicate that some minor areas of weakness in the control environment need to be addressed. Isolated instances of non-compliance with external laws and regulations, and internal policies, procedures and guidelines may exist. Business processes may lack effectiveness or not be managed effectively in all areas resulting in reduced achievement of expected outcomes.

Ineffective: The design and effectiveness of the internal control environment does not address key risks or does not exist. Non-compliance or historical patterns of non-compliance with key regulatory requirements and internal policies, procedures and guidelines exist which expose the audited entity to financial, reputational, and operational risks. Business processes are not managed effectively and expected outcomes are not achieved.