



# Parts Management Follow-up Review

## Fleet Services



## OBJECTIVES

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The objective of this follow-up review was to determine whether Fleet Services effectively implemented the action plans based on the recommendations from the November 2021 Parts Management audit report.

## BACKGROUND

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On November 8, 2021, we issued a report on our audit of the Fleet Services' Parts Management operations. The objective of the audit was to determine whether effective controls were in place over parts management to prevent or detect errors, fraud, waste, or abuse and ensure compliance with policies and other applicable requirements. The audit report included four recommendations that would further improve controls to ensure parts inventory is adequately safeguarded and properly disposed of as well as to ensure criteria used in the performance measures for parts management operations is adequately supported. The department agreed with the recommendations and developed action plans to implement the recommended changes.

## CONCLUSION

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All recommendations have been implemented and are summarized in the following table:

Recommendations	Status
<p><b>1-1:</b> Enforce its written policies and procedures by performing:</p> <ul style="list-style-type: none"> <li>○ Blind perpetual inventory counts at least three times per year.*</li> <li>○ Count verifications when pulling stock items from the shelf.</li> <li>○ Random spot checks.</li> <li>○ Observations of the consignment counts performed by vendor representatives.</li> </ul> <p>*Fleet Services revised its existing policies and procedures to conduct inventory counts at least two times per year. As this revision was reasonable, City Auditor staff determined the recommendation was effectively implemented.</p>	✓
<p><b>1-2:</b> Modify its existing written policies and procedures to reflect a more appropriate and reasonable frequency for when its inventory control methods should be performed.</p>	✓

<b>2-1:</b> Restrict physical access, including limiting the distribution of keys, to the parts warehouse facilities to only parts specialists and other personnel deemed necessary, such as management.	
<b>2-2:</b> Develop and implement policies and procedures to address physical security measures for the parts warehouse facilities. <ul style="list-style-type: none"> <li>○ The process for granting and revoking badge and key access to ensure only appropriate individuals are authorized to enter the warehouse facilities.</li> <li>○ Periodically reviewing employee access rights to the warehouse facilities to ensure access remains appropriate and limited to only those individuals whose job responsibilities require it.</li> <li>○ Periodically reviewing security camera footage as well as badging access reports to monitor for suspicious or unauthorized activity in the warehouse facilities.</li> </ul>	
<b>3-1:</b> To ensure compliance with the City's Management Policy, <i>Management Procedures</i> , Parts Management should develop and implement written policies and procedures to address the disposal of inactive and obsolete parts inventory, including the process for identifying and evaluating inactive or obsolete parts that remain in inventory, the frequency of when inactive or obsolete parts should be evaluated and disposed of, and to ensure compliance with the City's Management Policy Number 205, <i>Disposal of City Personal Property</i> . The policies and procedures should also be periodically reviewed and updated, if necessary.	
<b>4-1:</b> Parts Management should maintain documentation to support the benchmark criteria used to measure the efficiency of its operations. In addition, the criteria should be periodically evaluated to ensure that the criteria being used is still relevant and appropriate.	



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