



# OFFICE OF INTERNAL AUDIT

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## REPORT TO THE BOARD OF SUPERVISORS

Pinal County Facilities Management  
Safeguarding of Inventory and Supplies

Lori Stripling, Internal Audit Officer  
Jason Konrad, Internal Audit Analyst

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## Executive Summary

The mission of the Facilities Management Department is to provide planning, maintenance, construction, custodial, and facility operation services to Pinal County employees and departments, so they can conduct public business in a clean and safe environment. The department's strategic business plan includes five programs. These are administrative, custodial, construction, maintenance and special needs. Department assets include vehicles; buildings and storage units; computers and equipment; and heavy machinery. They also store inventory for various construction and maintenance projects, as well as surplus supplies and materials not consumed in these projects.

The Office of Internal Audit has completed an audit of the safeguarding of inventory and supplies at the Pinal County Facilities Management Department. Our audit was planned and conducted in accordance with Generally Accepted Government Auditing Standards. The purpose of our audit was to determine if supplies and inventories are adequately managed and safeguarded, and whether disposition of property, equipment and supplies is completed properly and timely. The audit was included in the Office of Internal Audit's FY 09-10 Annual Audit Plan, upon request by the Board of Supervisors.

Our overall conclusion is the Facilities Management Department could improve its system of internal controls over the safeguarding and proper disposition of certain assets, inventory and supplies under its control.

Our recommendations include:

- Establish written policies and procedures for proper management of surplus supplies and inventory
- Complete a physical inventory of supplies and materials and maintain inventory records
- Require timely disposition or auction of unneeded materials, equipment and surplus supplies
- Prohibit staff use of county owned tools, supplies, equipment or machinery for personal use
- Ensure personal tools, supplies, equipment, machinery and vehicles are not used, stored, repaired or maintained on County property
- Establish written procedures for accessing the key locker, to ensure proper security of buildings and storage units

We would like to thank the management and staff of the Pinal County Facilities Management Department for their assistance and cooperation during the course of this audit.

The following report provides additional details of our audit observations and recommendations.

Lori Stripling  
Pinal County Internal Audit Officer

## **Background**

The Office of Internal Audit has completed an audit of the safeguarding of inventory and supplies at the Pinal County Facilities Management Department (Facilities). Our audit was planned and conducted in accordance with Generally Accepted Government Auditing Standards. The purpose of our audit was to determine if supplies and inventories are adequately managed and safeguarded, and whether disposition of surplus supplies, materials and equipment is completed properly and timely.

The mission of the Facilities Management Department is to provide planning, maintenance, construction, custodial, and facility operation services to Pinal County employees and departments, so they can conduct public business in a clean and safe environment. The department's strategic business plan includes five programs. There are administrative, custodial, construction, maintenance and special needs. Facilities' assets include vehicles; buildings and storage units; computers and equipment; and heavy machinery. They also store inventory purchased for various construction and maintenance projects, as well as surplus supplies and materials not consumed during completion of prior projects.

## **Scope and Methodology**

Our specific objectives were to determine if:

- Physical security over inventory and surplus supplies is adequate to ensure proper safekeeping and reduce the risk of theft
- Physical inventories are completed and documented in accordance with the County Procurement Code
- Disposition of surplus supplies and other property is performed timely and in accordance with the County Procurement Code

To accomplish our objectives, we:

- Interviewed key Department staff
- Reviewed Facilities' budget, policies and procedures, and other related documents
- Observed operations and conducted a walk-thru of all work and storage areas
- Reviewed OSHA and State Statutes regarding hazardous materials and abandoned property

## **SUMMARY OF AUDIT FINDINGS AND RECOMMENDATIONS**

### **Overall Evaluation**

Our overall conclusion is Facilities' management of inventory and supplies, including proper safeguarding and disposition, could be improved. We observed the following:

- There are no written policies and procedures providing guidance for inventory and supply management or disposal
- Physical inventories of materials and surplus supplies are not conducted and inventory records are not maintained
- Idle or inoperable equipment, supplies and other surplus materials consume storage space and are in need of disposal or auction
- Staff members use county-owned tools, supplies, equipment and machinery for personal repairs or other uses
- Staff-owned tools, supplies, equipment, machinery and vehicles are used, stored, repaired and maintained on County property
- There are inadequate internal controls over access to the key locker, which houses the keys to department buildings and storage facilities
- Discarded, damaged and obsolete property and materials are stored in the salvage yard and in the far yard
- Old vehicles and other equipment and machinery that appear to be unsalvageable are stored in the far yard. The items were not found on any current inventory records, and they may present a safety risk

Additional details of our audit findings and conclusions are discussed in the audit results section below.

### **Audit Results**

#### **A. Policies**

Procedures should be developed for inventory control and proper disposal of surplus materials.

- There are no written policies and procedures providing guidance for inventory and supply management or disposal
- Inventory records are not maintained. Per the Pinal County Procurement Code, inventories of all storage units should be completed at least annually
- Idle or inoperable equipment, supplies and other surplus materials consume storage space and are in need of disposal or auction. For example, Audit observed a golf cart, refrigerator, computer equipment, copiers, furniture and other various items in disrepair located in and around storage areas and the designated salvage yards



Golf Cart, signs....



Furniture, printers....



Monitors, computers...



Refrigerator, copy machines....

### **Recommendations:**

1. *The Facilities Management Director should establish written policies and procedures for proper management and disposal of inventory and supplies, in accordance with Pinal County Procurement Code Article 8.*
2. *The Facilities Management Director should ensure a physical inventory of all storage areas is conducted, and inventory records maintained, to ensure proper safekeeping of property and reduce the risk of theft or misappropriation.*
3. *The Facilities Management Director should ensure prompt and proper disposal or auction of all stored materials and surplus supplies not intended for future use.*

### **B. Personal Items and Improper Use of Facilities**

Staff was observed using county-owned tools, supplies, equipment and machinery for personal use. Staff-owned equipment, machinery and vehicles are stored, repaired or maintained on County property. The County's Code of Conduct states each employee should use the public resources, property, and funds under the employee's control and responsibility for the public purpose intended by law and not for any private purpose.



Employee's Boat Motor

Also, it was noted some employees use their own personal equipment and tools to complete required work tasks. The Facilities Director noted this is allowed as a means to cut costs.

Prohibiting the storage, repair and maintenance of personal items on County property, and the use of personal equipment and/or tools on the job, may help reduce the risk of liability to the County and ensure employee time is properly used for work-related tasks only.

**Recommendations:**

4. *The Facilities Management Director should prohibit the use, storage, repair and maintenance of personal items on County property.*
5. *The Facilities Management Director should ensure employees use only County-issued equipment and tools to complete required job tasks.*

**C. Access Controls**

Internal Controls over access to the key locker should be improved.

- Keys to County buildings and storage units are stored in a key locker located in an administrative area in the main office. Audit observed that an employee, with access to the key locker, keeps his/her key in an unsecured storage unit in the same area. This action can be observed by other employees and increases the risk of unauthorized access to County facilities and potential for theft, misuse or abuse of County assets.

Recommendation:

6. *The Facilities Management Director should ensure employees, with access to the key locker, keep their keys with them and not store the keys in an unsecured location, easily accessed by others.*

**D. Safety Issues**

Improvements are needed to ensure the health and safety of County employees and the public.

- Audit observed numerous items in the far yard and salvage yard that appear to be broken, damaged or otherwise unusable. One facility employee noted the toilets shown below were initially delivered to the far yard in good condition.



Broken toilets stored in the Far Yard



Chairs, tables, other items stored in the salvage yard

- Audit found abandoned vehicles stored in the far yard, along with numerous other items that do not appear to be salvageable. These items could present a potential safety risk. The Facilities Director noted the two vehicles were originally PCSO evidence and stored there around 1980 or before.



Abandoned vehicles



Scrap metal/junk in the far yard



Camper, trailers, metal fencing.....

Prompt and proper disposal of surplus materials and supplies; abandoned vehicles and equipment; and scrap metal/junk would help reduce safety concerns and risk of potential liabilities; and reduce waste of County land that could be used more productively.

**Recommendations:**

7. *The Facilities Management Director should consult with Risk Management regarding any health and safety risks related to potentially hazardous materials stored in the salvage yard and far yard. Hazardous and unnecessary items should be disposed of in accordance with all applicable laws, rules and regulations.*
8. *The Facilities Management Director should consult with PCSO to determine if vehicles parked in the far yard have evidentiary value or are simply junk vehicles. If they are determined to be junk, the vehicles should be disposed of in accordance with all applicable laws, rules and regulations.*

**Attachment:**

**Management Response and Action Plan**

Audit Recommendation	Concur (Yes or No)	Management's Response and Action Plan	Target Date	Individual(s) Responsible
<p>1. <i>The Facilities Management Director should establish written policies and procedures for proper management and disposal of inventory and supplies, in accordance with Pinal County Procurement Code Article 8.</i></p>	Yes	<p>Facilities will work with Finance to establish inventory types, levels and disposal processes by 6-30-10. The time line to completely address these issues is undetermined at this time.</p>	6-30-10	Director
<p>2. <i>The Facilities Management Director should ensure a physical inventory of all storage areas is conducted, and inventory records maintained, to ensure proper safekeeping of property and reduce the risk of theft or misappropriation.</i></p>	Yes	<p>Facilities will conduct an audit of all Department materials and locations to create an inventory list. All non usable materials will be designated for storage, auction or disposal. Items for disposal will be photographed and filed for recording purposes.</p>	12-31-10	Director
<p>3. <i>The Facilities Management Director should ensure prompt and proper disposal or auction of all stored materials and surplus supplies not intended for future use.</i></p>	Yes	<p>See issue #2 above.</p>	12-31-10	Director
<p>4. <i>The Facilities Management Director should prohibit the use, storage, repair and maintenance of personal items on County property.</i></p>	Yes	<p>Facilities will establish a policy prohibiting the storage, repair or maintenance of personal items on County property by 5-31-10.</p>	5-31-10	Director

Audit Recommendation	Concur (Yes or No)	Management's Response and Action Plan	Target Date	Individual(s) Responsible
5. <i>The Facilities Management Director should ensure employees use only County-issued equipment and tools to complete required job tasks.</i>	Yes	Facilities will develop policy prohibiting the use of unauthorized tools and equipment on County facilities by 5-31-10.	5-31-10	Director
6. <i>The Facilities Management Director should ensure employees, with access to the key locker, keep their keys with them and not store the keys in an unsecured location, easily accessed by others.</i>	Yes	Facilities will develop written policy and procedures for key box access, security and key duplication by 5-31-10.	5-31-10	Director
7. <i>The Facilities Management Director should consult with Risk Management regarding any health and safety risks related to potentially hazardous materials stored in the salvage yard and far yard. Hazardous and unnecessary Items should be disposed of in accordance with all applicable laws, rules and regulations.</i>	Yes	Facilities will develop policy and procedures in coordination with Risk Management regarding disposal of Health Safety and Hazardous materials by 5-31-10.	5-31-10	Director

Audit Recommendation	Concur (Yes or No)	Management's Response and Action Plan	Target Date	Individual(s) Responsible
<p>8. <i>The Facilities Management Director should consult with PCSO to determine if vehicles parked in the far yard have evidentiary value or are simply junk vehicles. If they are determined to be junk, the vehicles should be disposed of in accordance with all applicable laws, rules and regulations.</i></p>	Yes	VIN numbers have been forwarded to Sheriff's Evidence to determine vehicle status.	5-31-10	Director