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Office of the County Auditor

Shelly A. Banks, C.P.A.

Cook County Auditor

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January 9, 2017

The Honorable Toni Preckwinkle, President
And Board of Cook County Commissioners
118 N. Clark Street, Room 537
Chicago, Illinois 60602

Dear President Preckwinkle and Board of Commissioners:

We have conducted an audit of the Central Warehouse Inventory of the Forest Preserve District (FPD) of Cook County. We conducted our audit in accordance with the [Cook County Auditor Ordinance](#).

The scope and objectives of our audit were designed to evaluate the effectiveness of the internal controls that are in place to ensure proper safeguarding, tracking and usage of inventory. Our objectives were also designed to determine if the Central Warehouse is operating in accordance with established policies, procedures and guidelines of the FPD.

Please refer to the following audit report for the results of the audit. The audit report contains two (2) recommendations to be implemented by the FPD with the assistance of the County Auditor. The [Executive Summary](#) provides an overview of the audit with the main recommendation areas.

We express our appreciation for the assistance that the Central Warehouse staff extended to Mr. Damon Howell during the course of our audit. We have discussed the control improvements with the FPD management and would be pleased to discuss further or to assist with any additional implementations.

Respectfully Submitted,

Shelly A. Banks, C.P.A.
Cook County Auditor

cc: Arnold Randall, Superintendent FPDCC
Stephen Hughes, Chief Financial Officer FPDCC
Timothy Hicks, Comptroller FPDCC
John Regalado, Director of Facilities and Fleet FPDCC



COOK COUNTY GOVERNMENT
OFFICE OF THE COUNTY AUDITOR

Central Warehouse Inventory of the Forest Preserve District of Cook County

Internal Audit Report

Report Date: January 2017

Issued By:
Shelly A. Banks, County Auditor

Audit Conducted By:
Damon Howell, Field Auditor V
Nancy Campanella, Audit Supervisor

EXECUTIVE SUMMARY

The Office of the County Auditor (OCA) has completed an audit of the Central Warehouse Inventory of the Forest Preserve District (FPD) of Cook County. We examined the purchasing and bidding processes, warehouse requisition orders and approvals, as well as inventory control procedures.

The scope and objectives of our audit were designed to evaluate the effectiveness of the internal controls that are in place to ensure proper safeguarding, tracking and usage of inventory. Our objectives were also designed to determine if the Central Warehouse is operating in accordance with the established policies, procedures and guidelines of the FPD. We conducted this audit in accordance with Generally Accepted Government Auditing Standards, which require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our recommendations.

We presented the recommendations to the FPD management and assisted in developing corrective action plans that will strengthen the internal controls over key processes. Please refer to the [Recommendations](#) Section for more detail regarding recommendations, corrective action plans and estimated completion dates.

BACKGROUND

The Department of Facilities and Fleet is one of several departments that comprise the FPD and has the responsibility of operating and maintaining the Central Warehouse.

The core mission of the Department of Facilities and Fleet is to provide a variety of routine maintenance, repairs, renovations and services to help ensure properly maintained facilities, fleet, equipment, and infrastructures, while utilizing the latest energy-efficient technologies and improving productivity and responsiveness.

The Department of Facilities and Fleet is also responsible for maintaining FPD facilities, roadways and parking lots, procuring, constructing and distributing picnic tables and repairing and replacing equipment.

The primary function of the Central Warehouse is to stock and provide building and maintenance supplies for all FPD facilities. The Central Warehouse oversees the purchasing and bidding processes for acquiring and replenishing maintenance supplies. The Central Warehouse staff researches new products with the goal of obtaining more efficient and environmentally friendly products. Through the open bid process the Central Warehouse is able to work with multiple vendors and review a variety of products. Vendors provide product literature, training and samples to test in actual work environments, allowing for better informed decision related to products selections.

Warehouse staff stocks and records receipt of incoming supplies electronically through the Central Warehouse inventory database (Netfacilities). In addition, all warehouse orders requisition by various FPD facilities are processed through Netfacilities. The inventory database is updated as approved warehouse orders are arranged and distributed.

AUDIT SCOPE AND OBJECTIVES

The scope and objectives of our audit were designed to evaluate the effectiveness of the internal controls that are in place to ensure proper safeguarding, tracking and usage of inventory. Our objectives were also designed to determine if the Central Warehouse is operating in accordance with the established policies, procedures and guidelines of the FPD.

Our objectives included determining if:

- Written policies and procedures are in place governing all inventory processes including receipt, recording and disbursement of Central Warehouse Inventory.
- Inventory is timely recorded and safeguarded upon receipt and appropriately tracked upon disbursement.
- Proper management approval is obtained prior to processing all requisition requests.
- Effective safeguards are in place to guard against duplicate or unauthorized entries into the work order inventory system.
- Actual inventory status is consistent with inventory tracking system.

In order to reach a conclusion on our objectives we performed the following audit procedures regarding the FPD Central Warehouse Inventory:

- Reviewed current policies and procedures governing warehouse inventory management to verify that proper controls have been established.
- Reviewed a sample of Central Warehouse requisition orders to verify that appropriate approvals were obtained and that a proper numbering/tracking system is in place.
- Tested a sample of inventoried items per Netfacilities database to verify location and key item information.
- Tested a sample of warehoused items and traced to Netfacilities database noting agreement of pertinent item information.
- Performed a walk-through of the Central Warehouse facility noting processes and controls in place.

RECOMMENDATIONS

Recommendation #1:

A comprehensive process for tracking inventory received is not in place to ensure inventory is accounted for accurately and timely to prevent loss and ensure accountability of inventory.

The following was noted from the testing of purchase orders:

- The inventory database system (Netfacilities) displays the date the item was entered into the system, but does not allow for a purchase order date or an item received date to be entered. Without a purchase order date or received date, there is no tracking to ensure that inventory is entered into the system in a timely manner.
- Netfacilities automatically populates unit cost based on historical purchase averages. While this is an effective tool to track historical prices, it prevents tracing the item to the related packing slip.
- There were items listed in Netfacilities that could not be traced to packing slips. Central Warehouse management stated that the items were entered in error.

In order to improve controls regarding the accurate and timely recording of inventory received, we recommend that Central Warehouse work with Netfacilities on improving the system to capture the approval of all item entries prior to being finalized, the purchase order date, the date inventory received and the specific item cost.

Corrective Action Plan:

FPD concurs with OCA's recommendations. FPD is currently working with NetFacilites on expanding their system to better manage their processes. The schedule for the coding and migration of system modifications to the vendor's software may be beyond FPD's control. In the meantime, FPD is designing an in-house system that will help manage their inventory more efficiently, which will include tracking items and quantities to a specific date.

FPD has an effective cycle counting system in place, but will make it mandatory that a supervisor reviews, reconciles, signs off on and properly files the supporting documentation for the cycle counts.

Estimated Completion Date: 6/01/2017

Recommendation #2:

Inventory items were not accurately accounted for in Netfacilities.

The following was noted from the testing of inventory items:

- Based on an approximated 560 line item inventory with a Netfacilities positive balance, we tested 19 line items. Within each line item, there are multiple quantities. We found an exception with 1 line item being overstated in the quantity listed in Netfacilities. During the implementation of the new system, Netfacilities provided several complimentary batch uploads of new items being added to the Netfacilities database. The automatic upload feature was utilized to save time on data entry since it would have been labor intensive for Central Warehouse staff to manually upload larger volumes of new items. Netfacilities set the number of inventory items to auto populate to 100 with the intention that subsequent cycle counts would correct the item count.
- We also tested 7 inventory line items on hand at the Central Warehouse. There was an exception with 1 line item being understated in the number of individual items lists in Netfacilities due to an oversight by the Central Warehouse staff.

We recommend that Central Warehouse require that Netfacilities fix the system so that any future items automatically uploaded are set to zero. We also recommend that the Central Warehouse implement a cycle inventory count process conducted on a regular basis with the results documented, signed off and any discrepancies reconciled to Netfacilities.

Corrective Action Plan:

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FPD has an effective cycle counting system in place, but will make it mandatory that a supervisor reviews, reconciles, signs off on and properly files the supporting documentation for the cycle counts.

Estimated Completion Date: 6/01/2017