

**SOLID WASTE AND ENVIRONMENTAL  
PROGRAM MANAGEMENT  
ASSET DIVISION  
AUDIT 18-03  
MARCH 13, 2018**



# CITY OF TAMPA

Bob Buckhorn, Mayor

Internal Audit Department

Christine Glover, Internal Audit Director

March 13, 2018

Honorable Bob Buckhorn  
Mayor, City of Tampa  
1 City Hall Plaza  
Tampa, Florida

RE: Solid Waste – Asset Division, Audit 18-03

Dear Mayor Buckhorn:

Attached is the Internal Audit Department's report on the Solid Waste – Asset Division.

The Asset Division has already taken positive actions in response to our recommendations. We thank the management and staff of the Solid Waste Department for their cooperation and assistance during this audit.

Sincerely,

/s/ Christine Glover

Christine Glover  
Internal Audit Director

cc: Dennis Rogero, Chief of Staff  
Sonya Little, Chief Financial Officer  
Ernest Mueller, Chief Assistant City Attorney  
Brad Baird, Administrator for Public Works and Utility Services  
Mark Wilfalk, Director of Solid Waste and Environmental Program Management

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*/s/ Vivian Walker*

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Auditor

*/s/ Christine Glover*

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Audit Director

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**BACKGROUND**

The Solid Waste and Environmental Program Management Department (Solid Waste) established an Asset and Facilities Division (AD) in 2015 in an effort to better organize and manage Solid Waste's assets. AD is responsible for the procurement and disposal of all trucks, containers, or other equipment used by Solid Waste. Currently, there is a staffing level of 17, including the Supervisor and 2 vacancies.

**STATEMENT OF OBJECTIVES**

This audit was conducted in accordance with the Internal Audit Department's FY2018 Audit Agenda. The objective of this audit was to ensure that the system of internal control for non-capital assets inventory was adequate.

**STATEMENT OF SCOPE**

Capital assets for Solid Waste were reviewed during Audit 17-05 Fixed Assets. This audit period covered AD activity for non-capital assets that occurred from October 2016 to September 2017. Original records as well as copies were used as evidence and verified through observation and physical examination.

**STATEMENT OF METHODOLOGY**

During this review, the locations that store carts, containers, and welding supplies were visited to observe access to inventory. In conjunction with the site visits, reports intended to reflect current inventory were reviewed for reasonableness. Additionally, purchasing card (P-card) receipts and paid purchase order documents were reviewed to determine if they could be traced to specific assets.

**STATEMENT OF AUDITING STANDARDS**

We conducted this performance 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.

**AUDIT CONCLUSIONS**

Based upon the work performed during the planning phase and the audit findings noted below, we conclude that the system of internal control for non-capital assets is not adequate.

## **INVENTORY LOGISTICS**

**STATEMENT OF CONDITION:** Currently, there are no policies and procedures established to document the processes being followed, including the acquisition, storage, inventory, and deletion of containers and equipment valued at less than \$1,000. As a result, Solid Waste acquires new carts by placing an order when the existing cart inventory reaches a pre-determined level. However, the pre-determined level is based on data from a spreadsheet with a beginning balance that does not accurately reflect the number of carts that were issued to residential customers at the onset of the automated cart program.

Additionally, the welding/maintenance shop area – responsible for the repair/maintenance of the existing inventory of compactors, roll-offs, and front-loaders – is not organized to ensure that all supplies and small equipment purchases are necessary or can be traced to a specific work order.

The small equipment and supplies are routinely purchased using the City of Tampa's P-card. A review of P-card activity from April 2017 through September 2017 identified purchases of small equipment and supplies totaling more than \$22,000. However, there is no documentation that provides the disposition of the items after purchase.

**CRITERIA:** City Code, Sec. 2-46. - Duties of departments states "Departments shall create and maintain all records with adequate and proper documentation of the organization, together with the functions, policies, decisions, procedures, and essential transactions, of the department."

Internally, the City of Tampa's Revenue and Finance Department has issued a Fixed Asset Policy that states "Each City department has the responsibility to safeguard from theft, loss, misplacement, misuse, and misappropriation all of its property (including property not listed as fixed assets)." Additionally, the Government Accounting Office (GAO) executive guide of "Best Practices in Achieving Consistent, Accurate Physical Counts of Inventory and Related Property" identifies 12 key factors from 7 leading-edge companies. These are:

- Establish Accountability
- Select an Approach
- Maintain Segregation of Duties
- Provide Adequate Supervision
- Ensure Completeness of the Count
- Perform Research
- Establish Written Policies
- Determine Frequency of Counts
- Enlist Knowledgeable Staff
- Perform Blind Counts
- Execute Physical Count
- Evaluate Count Results

A separate GAO report on Inventory Management comments on the best practice concepts of an integrated supplier, local distribution centers/supplier parks, or prime vendors. These are methods that can promote only ordering supplies when needed, which will reduce inventory spoilage or obsolescence.

**CAUSE:** AD is a new area created to better manage Solid Waste's assets and address Management concerns related to inventory.

EFFECT OF CONDITION: Lack of policies and procedures could result in inefficient operations. Inaccurate inventory understates the assets of Solid Waste and increases the likelihood for abuse and theft. Additionally, due to the unknown population of carts, the re-order point maybe under or overstated, creating a depleted or obsolescent inventory.

RECOMMENDATION: Management should establish the policies of AD and develop the related procedures to implement them. The GAO report of best practices in inventory management is recommended as a source. Additionally, the policies and procedures should include the following:

- Establishing a dollar threshold for materials and small equipment that will require an inventory.
- Documenting which materials and supplies are required to be included on work orders.
- Restricting access to materials and small equipment used in the "shop".
- Developing an inventory process to periodically ensure supply levels are reasonable.

Management needs to ensure an accurate count of carts already distributed to residential customers is obtained or establish a new inventory point and move forward with accurate data.

MANAGEMENT RESPONSE: Agree. The Solid Waste is currently updating policies and procedures that were last distributed in 2010, under a previous Director, and prior to the creation of the AD. The updated policies will include practices specific to the handling and accounting for assets in AD (including container/cart delivery) using the Government Accounting Office (GAO) executive guide of “Best Practices in Achieving Consistent, Accurate Physical Counts of Inventory and Related Property” as a model to ensure that key factors are considered. We intend to document and update these policies on an annual basis or, as often as needed.

Solid Waste has used the automated cart system for the past twelve years to service our customers. When that system was initiated, there was no viable way to track cart distribution accurately. Currently, we track containers by use of declining balance sheets and a manifest that the drivers must turn in daily. When the number of carts reaches the minimum inventory threshold, it triggers a reorder alert.

In the past, Solid Waste’s container maintenance shop existed under the Commercial Business Unit’s organizational structure. Expenditure thresholds were established for the purchase of materials and small equipment required to support the container shop’s practices. Since reassigning the Container Shop to the recently created AD, specific Standard Operating Procedures (SOP) are being developed to improve the accountability of materials purchased to support the shop’s responsibilities.

Solid Waste currently uses MSS (Multi-Service System) to manage work orders, and document the materials and supplies needed to respond to customer needs. The implementation of the City’s Utility Management System (Cayenta), which will replace MSS, will improve the accuracy of managing inventory related to all service/work orders. The AD management inventory technician will be responsible for inventory tracking and routine reconciliation.

In May 2017, the AD implemented the use of a vending machine to identify and control the frequency of dispensing routine supplies (gloves, safety glasses, etc.) which requires employees to enter their employee ID prior to dispensing. This captures the number of supplies received by each employee for auditing and inventory tracking purposes.

In FY18, the container shop will be undergoing significant capital improvement building renovations. The improvements will include an enhanced inventory tracking system and limited access to materials and small equipment. All new equipment will be properly inventoried to industry standards. The updated Solid Waste SOPs will reflect these changes.

TARGET IMPLEMENTATION DATE: June 29, 2018