



# COLLIN COUNTY

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Date: October 19, 2009  
To: Jon Kleinheksel, Director Public Works  
From: Jeff May, County Auditor   
Subject: Annual Equipment Service Parts Inventory FY09 – Final

The County Auditor's Internal Audit group participated and observed the annual equipment service parts inventory conducted by your department on September 23, 2009. The physical inventory observation objectives were to ensure county property was properly accounted for, accurately recorded, and adequately safeguarded.

The count and review was not intended to be a comprehensive examination of every procedure or activity. Accordingly, the findings and recommendations presented in this report should not be considered as all-inclusive of areas where improvements may be needed.

The Building Facilities personnel were extremely helpful and courteous in assisting with the physical inventory and answering our questions. The parts area and inventory was well-organized.

Please feel free to contact us with any questions or requests for assistance.

**Findings:**

There were 902 total items listed on the inventory valued at \$91,650.10. On September 23, 2009, the Physical Inventory Exception report showed a total difference of \$428.69 (0.5%) between the perpetual inventory amounts and physical counts. On an individual item basis there were 14 items identified where the perpetual inventory was greater than the physical count and 5 items where the physical count was greater than the perpetual inventory amount. Listed below are the individual exceptions where the book value adjustment to the items was greater than \$50.00.

<b>Item Reference</b>	<b>Description</b>	<b>Qty Difference</b>	<b>Unit Cost</b>	<b>Cost Difference</b>
863 025 00105	Tire P235/70R17 LE	2	\$98.12	(\$196.24)
060 042 00732	Filter Hydraulic	1	\$96.24	(\$96.24)
515 060 00044	Blade Mower	2	\$31.54	(\$63.08)

**Recommendations:**

1. An explanation for the shortages greater than \$50 in the physical inventory exception report should be documented in the audit response. The procedures used to maintain the inventory should be explained and documented in the audit response.
2. All inventory parts issued for repairs or scheduled maintenance should be logged and removed from the perpetual inventory in a timely manner.

**Response:**

In response to your annual Equipment Services parts inventory findings, procedures to accept items for addition to the inventory and procedures for charging items to equipment are in place.

Tires and mower blades are ordered through a monthly reorder inventory report generated by the AS 400. Once the items are received in Equipment Services, the AS 400 is updated. A Service Technician with a work order can only check items over \$50 dollars out of the parts room to ensure proper use.

Public Works findings show the parts were charged out to their respective units per procedures; however, they did not get logged into the computer due to employee oversight.

Equipment Services will ensure that all items are logged in and out of the inventory immediately. Equipment Services will perform an additional internal audit to prevent further shortages or overages.