



# COLLIN COUNTY

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Date: February 14, 2011  
To: Jon Kleinheksel, Director of Public Works  
From: Jeff May, County Auditor   
Subject: Public Works Stockpile Physical Inventory – Final

Internal audit met with Gary Enna at the Justice Center stockpiles on September 29 and 30, 2010 to observe the inventory of stockpiles and culverts. The audit objectives were to ensure county property is properly accounted for, accurately recorded and adequately safeguarded.

During the inventory count, we identified certain practices and procedures that we believe could be enhanced to strengthen internal controls and increase efficiencies. The inventory count and review were 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 Public Works personnel were extremely helpful and courteous in assisting with the annual inventory of stockpiles and culverts.

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

## **Stockpiles**

The auditor observed the taking of the annual physical inventory of the stockpiles on September 29-30, 2010, located at the Justice Center (McKinney), Farmersville, Weston, and Copeville. The inventory measurements were taken by an outside vendor, Bohannon Houston, Inc. The vendor took measurements by preparing separate topographic survey drawings using laser and GPS technology and the Micro Station Version 8 software to calculate the total inventory of the stockpiles. We compared the stockpile survey report prepared by Bohannon Houston with inventory balance reports prepared by Public Works and Purchasing.

### **Finding:**

We found a material physical inventory record that was regularly updated with items received and used was available. However, this updated report varied from the actual physical measurement taken by Bohannon Houston, Inc. The current method used to update inventory created a variance of what is actually at the location versus what is recorded on the system. We observed that when new inventory is delivered to the Justice Center and counted during physical inventory (but the invoice has not been paid yet), then the system will have a variance. We also observed that if inventory is withdrawn from the stockpile but not yet used on the roads (that is, the material is loaded on the trucks), the Public Works' record would not have those items recorded as being used.

### **Recommendation:**

During the physical inventory taking at the end of each quarter or at year-end, material receiving documents should be provided and the system inventory reconciled to the material on hand using the vendor report adjusted for withdrawals or additions to inventory. The physical inventory would be updated with items received and used on a consistent basis and documented in the quarterly reports. The stockpile count should reflect a running balance of what the system shows plus any purchases delivered to the Justice Center, or other stockpile locations (even if the purchases have not been paid), minus any material removed from the Justice Center, or other stockpile locations (even if the material has not been used).

### **Response:**

Public Works will continue to record daily tasks of inventory (asset accounts) removed and received into the AS400, ITS database, and excel spreadsheet. At the end of the fiscal year, Public Works will make the necessary adjustments to the AS400 based upon the physical inventory documents provided by Bohannon Houston, Inc. or contractor at that time. Due to several variables, the stockpile counts will continue to have discrepancies. In order to maintain a more accurate account of quantities, it would be a benefit to Public Works that at the end of the fiscal year the Auditor's office could provide a list of unpaid purchase orders that affect the stockpile counts. The unpaid purchase orders amount to a large portion of the discrepancies.

## **Culverts**

The auditor and Gary Enna counted the annual physical inventory of the culverts and bands on September 29, 2010, located at the Justice Center in McKinney. We compared the culvert inventory with the inventory balance reports prepared by Public Works and Purchasing.

### **Findings:**

The Auditor found that a regularly updated record of the culvert inventory was available. As with the stockpiles, a material physical inventory record that was regularly updated with items received and used was available. However this updated record varied from the actual physical count taken by the Auditor. Public Works' practice of updating inventory created a variance of what is actually at the location versus what is recorded on the system (i.e.-If new culverts are delivered to the Justice Center and counted during physical inventory (but the invoice has not been paid yet), then the system will have a variance. Or if the culverts have not been installed under the road yet (but are loaded on the trucks), the Public Works' record would not have those items recorded as being used).

### **Recommendations:**

The physical inventory should be manually (i.e. excel spreadsheet) updated with items received and used on a consistent basis, and documented in the quarterly reports. The culvert count on the spreadsheet needs to reflect a running balance of what the system shows plus any purchases delivered to the Justice Center (even if the purchases have not been paid), minus any material removed from the Justice Center (even if the material has not been used). This ensures that there are no variances between the Public Works' excel spreadsheet count and the physical count.

### **Response:**

Public Works will continue to record daily tasks of culverts, bands, and steel (asset accounts) removed and received into the AS400, ITS database, and excel spreadsheet. At the end of the fiscal year, Public Works will make the necessary adjustments to the AS400 based upon the physical inventory documents provided by Gary Enna or Public Works representative. Due to several variables, the stockpile counts will continue to have discrepancies. In order to maintain a more accurate account of quantities, it would be a benefit to Public Works that at the end of the fiscal year the Auditor's Office provide a list of unpaid purchase orders that affect the stockpile counts. The unpaid purchase orders amount to a large portion of the discrepancies.