



AUDIT HIGHLIGHTS

Warehouse Operations

October 31, 2019

Audit Report No. 2010

WHY WE DID THIS AUDIT

The *Warehouse Operations* audit was performed to evaluate management controls over and cost-effectiveness of the City's warehouse operations. The audit was included as part of the City Council-approved audit plan for fiscal year (FY) 2019/20.

BACKGROUND

The City's Purchasing Department operates a warehouse function that receives, delivers and stores items for City departments; operates a supply store to provide commonly used maintenance and repair supplies to departments; posts public auctions to sell surplus City property along with Police Property & Evidence items that cannot be returned to their owners; and disposes of items that cannot be sold. The Warehouse also handles some shipping requests and certain surplus materials recycling.

The Warehouse, located at the North Corporation Yard, operates on weekdays from 6:00 a.m. to 2:30 p.m. and is staffed by a manager, 2 senior stock clerks and 2 technicians.

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WHAT WE FOUND

Management has not established appropriate controls to manage its Stores operation.

- Issuances are not entered as they occur, receipts are not provided, and refunds are not adequately documented.
- Inventory counts, adjustments and corrections are not properly conducted and documented, and inventory item units do not always align with issuance units.

Surplus property policies and procedures are not consistently followed, and practices could be improved.

- The items reviewed for appraisal are not documented.
- Disposition of some items could not be verified, tax exemptions were not documented, the refund policy was not followed, and some disposals have been informally delegated to other departments.
- Adjusting certain practices may increase auction revenues.

The Warehouse could more efficiently promote internal surplus property transfers as prioritized in City Code.

- Available surplus property is not communicated to City departments.

Other Warehouse functions and responsibilities need to be clarified or strengthened.

- Stored items are not consistently tracked, and shipping may be more effectively managed by individual departments.

WHAT WE RECOMMEND

We recommend the Purchasing Director ensure the Warehouse Manager:

- Requires staff to enter issuances as they occur and provide receipts, adopt inventory count policies and procedures, document stock adjustments and establish inventory units consistent with issuance units.
- Implements appropriate segregation of duties, verifies surplus items as they are received, and follows tax and refund policies.
- Notifies other departments of available surplus, tracks stored items and discontinues routine shipping for other departments.

MANAGEMENT RESPONSE

The department agreed with the audit recommendations, noting that other affected departments will be consulted during its process of improving controls.