


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

August 23, 2018

MEMORANDUM

To: Mr. Todd M. Watkins, Director, Department of Transportation

From: Roger W. Pisha, Supervisor, Internal Audit Unit 

Subject: Report on Department of Transportation Parts, Fuel, and Tire Inventory

This report presents the results of our examination of inventory procedures, internal controls, and accuracy of the count of inventory maintained by the Department of Transportation (DOT). The Internal Audit Unit auditors observed the count of inventory by DOT staff conducted at its five transportation depots on June 23, 2018. In addition, the auditors randomly selected 25 parts as well as all quarts of motor oil, quarts of transmission fluid, and tires located at each depot to count and compare to the numbers shown on the automated inventory system. Auditors also selected 100 percent of items with a cost equal to or greater than \$500 at the Bethesda, Clarksburg, and Randolph transportation depots, and randomly selected 25 parts with a cost equal to or greater than \$500 at the Shady Grove and West Farm transportation depots, to assure that these items were properly controlled. Finally, the team conducted manual measurements of the quantity of gasoline and diesel fuel contained in the underground tanks and compared the stick readings with the automated Veeder-Root machine readings at all five depots. The purpose was to determine whether procedures result in an accurate valuation of inventory.

Findings and Recommendations

During the count of the 125 selected parts, variances were found in the numbers reported for 13 (10.4 percent) of these items, including instances where there were either more or fewer parts than reported. The total cost of items where variances occurred represented 9.7 percent of the total cost of these items, but note that the auditors did not offset the value of the undercounted (\$2,915.79) with the over-counted (\$69.12) items and did not attempt to estimate the net effect of the variances on the total value of inventory. Of the 13 variances, the Shady Grove Transportation Depot accounted for 5, the Bethesda Depot accounted for 4, the Randolph and West Farm transportation depots accounted for 2 each, while the Clarksburg Transportation Depot had no variances.

The 100 percent count of items with a cost equal to or greater than \$500 or more revealed no variance at the Clarksburg and Randolph Transportation Depots while the Bethesda Depot had one variance. The randomly selected 25 parts with a cost equal to or greater than \$500 revealed two variances at the Shady Grove Transportation Depot and no variance at the West Farm Transportation Depot.

The physical measurement of fuel did not result in any significant differences compared to the quantity measured by the automated dispensing equipment. The auditors were able to account for

approximately 97 percent of the quarts of motor oil and transmission fluid compared to the automated inventory system for all depots combined. In addition to the primary stock rooms, the auditors noted quarts of oil and transmission fluid also were stored in various other locations within the depots as well as inside maintenance vehicles.

The total cost of tires where variances occurred represented 0.6 percent of the total cost of these items, but note again that the auditors did not offset the value of the undercounted with the overcounted items, and they did not attempt to estimate the net effect of the variances on the total value of inventory. The Clarksburg, Randolph, Shady Grove, and West Farm transportation depots had no variance.

The total value of the inventory was reported to be \$2,243,300, at the time of the internal audit count. DOT reports that the inventory turns over approximately three times per year and that the net adjustment made based on DOT's count was \$18,709. The Internal Audit Unit considers the adjustment to be most likely attributable to the same factors as previously reported, including:

- use of stock as diagnostic tools;
- ongoing maintenance work performed while items were being counted; and
- difficulty distinguishing between new, used, and other similar parts, resulting in charging out the wrong part at the time of removal from inventory.

On behalf of the Internal Audit Unit staff, we appreciated the opportunity to assist your staff with the 2018 inventory and especially want to thank Ms. Jeri-Ann Whittaker, fiscal specialist, DOT; Mr. Joseph Iannuzzi, information technology supervisor, Fleet Maintenance; and Mr. David M. Dalton, automotive parts supervisor, Shady Grove Fleet Maintenance. A response to this report is not required. We look forward to working with your staff next year. If you have any questions, please contact me at 301-444-8650.

RWP:lsh

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