

Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

August 18, 2020

MEMORANDUM

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

From: Mary J Bergstresser, Acting Supervisor, Internal Audit Unit 

Subject: Report on Department of Transportation Parts, Fuel, and Tire Inventory—  
2020 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 3, 2020. In addition, the auditors randomly selected 25 parts without regard of the dollar cost, 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 \$2,000 at all locations 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 27 (21.6 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 23 percent of the total cost of these items, but note that the auditors did not offset the value of the undercounted (\$4,616.84) with the over-counted (\$9,759.45) items and did not attempt to estimate the net effect of the variances on the total value of inventory. Of the 27 variances, the Shady Grove Transportation Depot accounted for 11, the West Farm Transportation Depot accounted for 4, the Randolph Transportation Depot accounted for 8, the Bethesda Transportation Depot accounted for 3, and the Clarksburg Transportation Depot accounted for 1.

The 100 percent count of items with a cost equal to or greater than \$2,000 or more revealed five variances at the Shady Grove 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 91 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 auditors were able to account for 100 percent of tires recorded in the automated inventory system for all depots.

The total value of the inventory was reported to be \$2,735,254, at the time of the internal audit count. DOT reports that due to changing over from FASTER Win to FASTER Web, this is one of the reasons they waited to do a complete inventory instead of a cyclical inventory. DOT was conducting its inventory count on the same day that the auditors were conducting audit, therefore, no net adjustments to report.

The Internal Audit Unit considers the variances to be most likely attributable to some of the same factors as previously reported including the following:

- Use of stock as diagnostic tools.
- Ongoing maintenance work performed while items were being counted.
- Difficulty distinguishing between new, used, and other similar parts, resulting in charging out the wrong part at the time of removal from inventory.
- Unable to make transfers or charge parts out due to the shutdown and staff being sent home due to the COVID-19 pandemic.

On behalf of the Internal Audit Unit staff, we appreciated the opportunity to assist DOT staff with the 2020 inventory and especially would like to thank Ms. Jeri-Ann Whittaker, fiscal specialist, DOT; and Mr. David M. Dalton, auto 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 240-740-5686.

MJB:lsh

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