

METRO TRANSIT 2015 INVENTORY AUDIT

PROGRAM EVALUATION AND AUDIT



APRIL 8, 2015

Program Evaluation & Audit Department (Audit) personnel conducted physical inventory counts at the Ruter and South garage, Brake Shop, Rail Support Facility, Green Line LRT Facility and Unit Overhaul stockrooms during the week of February 9, 2015, comparing those quantities to inventory records and calculating five related variance factors for each stockroom.

The item number variance for three stockrooms improved substantially since their previous audit, two others were substantially the same and one had not been previously audited. This indicates that stockkeepers and maintenance personnel have implemented strategies to strengthen inventory recording and accuracy controls, and although 24 of the 30 variance factors for all stockrooms fell within proscribed limits, additional attention to procedural compliance is required for all variances to become acceptable. The results for each of the stockrooms audited are as follows:

Rail Support Facility, Green Line LRT Facility and Unit Overhaul: All five variances were within proscribed ranges for each stockroom, with Unit Overhaul seeing improvement in each variance since 2012; the item number variance substantially improving. The Rail Support Facility item number variance also improved substantially, with the other variances being essentially the same as in 2012. This was the initial audit of the Green Line LRT Facility.

South Garage: Four of five variances were within acceptable ranges, with the fifth outside the range by .35%

Ruter Garage: Three of five variances are within proscribed ranges, with four of the five increasing from 2012, when all variances were within acceptable limits.

Brake Shop: Only two of five variances were within acceptable limits. The four monetary variance factors increased since the most recent audit in 2013; however, the item number variance dropped substantially.

The six variances that fell outside the proscribed limits were all monetary in nature, none of which was material.

Audit personnel also monitor inventory cycle counting. A daily sampling of inventory conducted by stockkeepers at each of Metro Transits 15 inventory stocking locations, cycle counting is practiced in place of conducting a traditional 100% annual physical inventory which is more disruptive and less beneficial for the organization. Audit's review disclosed that Material Management Department and Maintenance Department personnel continue to improve adherence to cycle counting internal controls, as errors tracked by Audit have declined significantly from 420 in 2010, to 276 in 2012, to 229 in 2014.

Although the percentage of variances attributable to human error continues to decline, with "unknown reason" and "correction of previous error" at their lowest since 2010, the primary reason for variances was that items were either not charged to inventory when taken or were not credited back into inventory when not used. Those variances increased 30% since 2012, 11% in 2014 alone, indicating a continued need to emphasize procedures for obtaining and returning inventory items, especially when a stockkeeper is not available.

Based upon these results, Audit recommends that Metro Transit should consider:

1. Providing additional training to Material Management and Bus Maintenance personnel to increase awareness of and adherence to all inventory procedures and controls.

2. Reviewing cycle counting practices and implementing complementary processes where applicable.

In response to these results, Metro Transit personnel have stated they will continue to provide coaching, training and (if necessary) discipline to ensure that employees adhere to current policies. In addition, Material Management will continue to pursue practices that improve and complement current inventory and cycle counting internal controls.



390 Robert Street North
St Paul, MN 55101-1805

651.602.1000
TTY 651.291.0904
public.info@metc.state.mn.us
metro council.org