

Program Evaluation and Audit

MCES Stockroom Audit

May 19, 2020



Background

- MCES has 24 stockrooms across the region
 - 8/9 Treatment Plants
 - Lift Stations
 - Mobile Units
- Handled by Materials Management
- Handle approximately \$9.2m inventory
- New managerial and frontline staff



Location	Value
Blue Lake WWTP	\$ 607,007.11
Eagles Point WWTP	\$ 58,281.41
East Bethel WWTP	\$ 22,403.58
Empire WWTP	\$ 325,581.45
LBU Storeroom (Liquids)	\$ 2,475.13
Metro Plant	\$ 6,402,627.42
Mobile Units	\$ 8,480.60
R01 – RMF Storeroom Vehicle 0739	\$ 9,933.95
Regional Maintenance Facility	\$ 942,372.38
Seneca WWTP	\$ 856,076.67
SMBU Storeroom (Solids)	\$ 2,938.69
Total	\$ 9,238,736.18

Objectives

- Evaluate the effectiveness and efficiency of key controls:
 - Maintaining the Inventory's Accuracy
 - Work and Access Management (WAM)
 - Cycle Counting
- *Thrive MSP 2040*
 - *Stewardship* – maintaining inventory controls
 - *Accountability* – maintaining accurate inventory

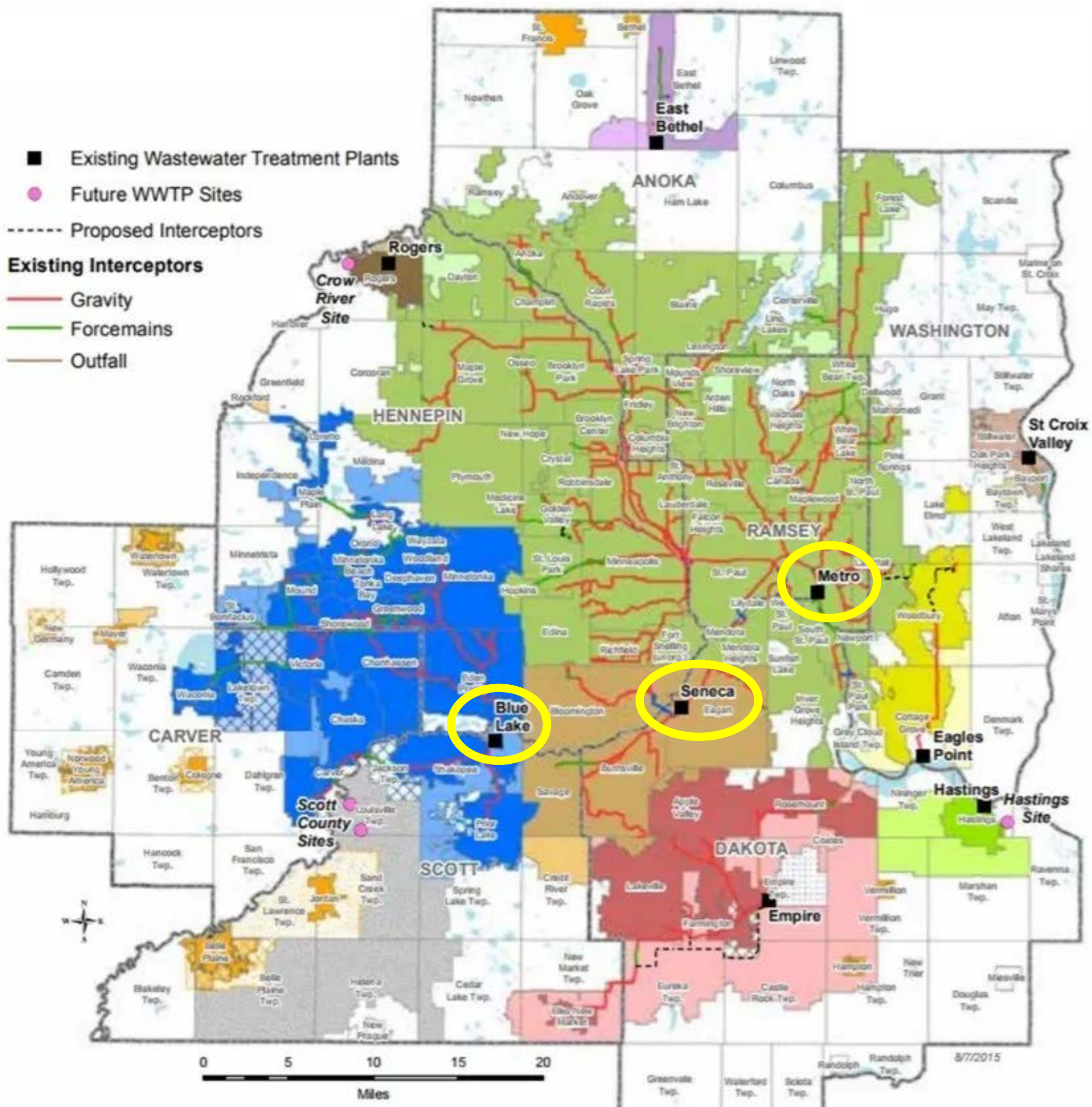
Methodology

- Interviews with Materials Management staff
- Analyzed Cycle Count and Inventory data
- Onsite Inventory review
 - Stratified sampling based on Value and Size
- Final consultations with Material Management staff

Scope

- Processes, procedures, and records
- Data: October 1, 2016 to October 1, 2019.
- All stockrooms eligible for review
 - Blue Lake WWTP
 - Metro Plant
 - Mobile Unit 1
 - Regional Maintenance Facility
 - Seneca WWTP





Observations

1. Known inventory is 96% accurate, and 99% of the value was accounted for.
2. Cycle Counts are not occurring on-time, but are occurring.
3. “X” Class items are not counted as part of the process.
4. 265 items did not have a classification
5. 38 items had an AUP of \$0 and a quantity.
6. Debit/Credit system issue.
7. Items stored outside of the containment area

Inventory Accuracy

Location	SKUs Counted	SKU Discrepancies	SKU % Accuracy	Value Counted	Absolute Value Discrepancy	Value % Accuracy
Blue Lake WWTP	176	4	98%	\$721,618.90	\$30.68	≈100%
Metro Plant	360	5	99%	\$1,524,619.69	\$1,426	≈100%
Mobile Unit 01	15	7	53%	\$226.77	\$42.91	81%
Regional Maintenance Facility	153	13	92%	\$446,153.73	\$14,403.56	97%
Seneca WWTP	138	6	96%	\$364,824.62	\$332.16	≈100%
Totals	842	35	96%	\$3,057,433.71	\$16,582.00	99%

Cycle Counts

ABC Classification	Total Issued Item Value (TIIV) Range	Cycle Count Frequency
A	\$1,000 and above	6 months
B	\$500 - \$999.99	6 months
C	\$100 - \$499.99	1 year
D	\$.0001 – \$99.99	1 year
E	\$0.00	2 years
X	No issuance	None

Counts are occurring, but late

- Observations:
 - More than 61,500 counts occurred in the last 3 years.
 - Counts generally occur within 5-7 days
- Potential Causes:
 - Could be a system rule error
 - Scheduling
 - Additional Items added to inventory
- Importance
 - Cycle Counting is the main control for inventory
 - Late Counts can decrease the control's effectiveness

Classification Updates

1. 894 “X” Class Items need to be updated to “E” Class.
2. 265 items need a classification.
3. 38 items have an AUP of \$0.00 and must be updated.

Debit/Credit

- When an item issued and returned, it does not count as an issuance
- TIIV is based upon number of issuances
- More times an item is issued, the greater the classification

Recommendations

- 1. (Essential)** MCES staff should review WAM for a system rule that occurs when an item is issued and returned, and eliminate it.
 - 2. (Essential)** If possible, MCES staff should review WAM for items that were issued and returned but did not change classes. Upon identification, staff should update the item's classification as needed.
- ***Management Response:*** The current rules and TIIV calculations in WAM will be reviewed to see if these items can be updated in classification.

Facilities and Security

- Some items kept outside “the cage”
 - Large items
 - Business need
- Some facilities have part time staff dedication
 - Smaller WWTP, inventory
 - Dedicated days of the week
 - Compensating controls
- Cameras, badge access

Recommendations

1. **(Significant)** MCES staff should consider the effectiveness electronic of controls to monitor stockroom access when an inventory technician is not present at the facility.
- ***Management Response:*** Management will review the current electronic controls for each plant stockroom and review access reports annually.
 - ***Thrive 2040 Principle and Outcome:*** Stewardship and accountability

Recommendations

2. **(Essential)** MCES staff should assess the items that are kept outside the stockroom and determine if there is a more secure location. If relocation is deemed unnecessary, MCES staff should create a method for tracking items stored outside of the room.
- ***Management Response:*** Items inventoried in WAM but located outside the stockroom will be evaluated for improved local control and inventory process.
 - ***Thrive 2040 Principle and Outcome:*** Stewardship and accountability

Conclusions

- System of controls is largely effective
- Minor improvements can be made
- Staff are proactive and dedicated to improvement
- Future improvements in the works:
 - Performance goals
 - Acquisition/Disposition procedures
 - Reviewing less frequently issued items

Questions?