



# AUDIT REPORT



**DATE** February 21, 2019

**NO.** 2019-004

**FLEET MANAGEMENT**

**JB YARD FUEL INVENTORY**

**FISCAL YEAR END**

**SEPTEMBER 30, 2018**

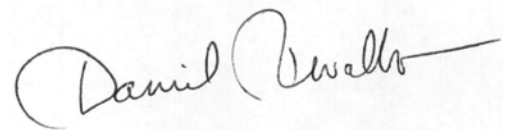
INTERNAL AUDIT DIVISION  
ROGER D. EATON  
CLERK OF THE CIRCUIT COURT AND COUNTY COMPTROLLER  
CHARLOTTE COUNTY FLORIDA

Honorable Roger D. Eaton  
Charlotte County Clerk of the Circuit Court and Comptroller  
350 East Marion Avenue  
Punta Gorda, Florida 33950

We have completed an audit of the Fleet Management fuel inventory process for the fiscal year ending September 30, 2018. The purpose of this audit was to ensure adequate controls exist and are operating effectively over the inventory process.

The report details the current control environment and includes our comments and recommendations. Management responses have been included and immediately follow the audit report.

Respectfully submitted,

A handwritten signature in black ink that reads "Daniel Revallo". The signature is written in a cursive style with a long horizontal stroke extending to the right.

Daniel Revallo  
Internal Audit Director

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## EXECUTIVE SUMMARY

Internal Audit has completed a review of Fleet Management year-end fuel inventory process. Our review determined that controls were adequate in performing and recording the inventory. Our review also disclosed the following:

1. Fiscal Services does not compare the result of the physical inventory count with the ending balance of the fuel inventory account in Eden at fiscal year-end.

Based upon the finding of our review, we offer a summary of the recommendation. We discussed the recommendation in detail later in this report:

1. **We recommend** Fiscal include a control activity requiring that the value of fuel inventory in Eden be compared with the results of the physical inventory count.

## BACKGROUND

Fleet Management (Fleet) is a division of Charlotte County's Budget/Administrative Services. Fleet provides centralized fleet management for approximately 1300 pieces of equipment. This includes repair/maintenance and the purchasing and disposal of all replaced or obsolete equipment. Fleet also manages the County's fueling program and provides unleaded and diesel fuel at two locations in the County, one in Port Charlotte (JB Yard) and a second in Punta Gorda (Punta Gorda Yard).

Fiscal Services, under the County Budget/Fiscal & Administrative Services Department, performs a year-end inventory count at the last day of the County's fiscal year. The results of the physical count are compared to the inventory balances carried on the Department's fuel system.

## AUDIT OBJECTIVES

Our review was based on the following objectives:

1. Observe Fleet's year-end fuel inventory count and evaluate the adequacy and effectiveness of internal controls and procedures over the inventory process.
2. Determine that adequate segregation of duties exists in daily operations and the year-end inventory process.
3. Ensure that the fuel inventory is properly safeguarded
4. Ascertain that the final inventory reconciliation is accurate and the general ledger is properly updated.

## SCOPE

We selected the fiscal year ending September 30, 2018 and focused on the year-end inventory process. Internal Audit observed Fleet/Fiscal Services conducting the fuel inventory count at the JB Yard, paying special attention to the verification of the audit objectives. We tested the counts of the three fuel tanks and compared the test results with Fleet's results. The test enabled us to observe that proper procedures and controls were being followed in the final physical inventory count and that the results from the counts agreed to the Inventory Report from Fleet's fuel system.

We also performed testing to verify if the results from the physical count reconciled to the 2018 ending balance of the Inventory Materials-Fuel account in EDEN. We multiplied the gallons of diesel and unleaded gasoline counted at the physical inventory count by the average cost of fuel used by Fiscal to bill out departments for usage. We found a difference of \$25,444.06, which was ultimately the result of transactions in transit corresponding to three invoices for the purchase of fuel in fiscal year 2018, but posted to Eden in fiscal year 2019.

## COMMENTS AND RECOMMENDATIONS

### **1. Results of the year-end physical inventory count are not compared to the end balance of the fuel inventory account in Eden.**

Fiscal Services does not compare the fuel in existence with the value of the fuel inventory in EDEN at fiscal year-end.

Year-end inventory counts are performed to ensure that the actual inventory amount on hand and recorded inventory amounts in the accounting records agree. They are also needed to ensure that inventory is correctly valued and activity is properly posted to and accurately reported in the general ledger.

Without performing the comparison, there is an imminent likelihood that if differences exist they could remain undetected and the carrying value of inventory be inaccurate.

**We recommend** that Fiscal Services, as part of the duties related to the fuel physical inventory counts, incorporate a control activity requiring that the value of the fuel inventory in EDEN be compared with the results of the physical inventory count. If differences are found, they should be investigated and the book value of inventory adjusted to reflect the results of the physical count.

## CONCLUSION

Our review determined that the year-end inventory count process, with exception of the comment and recommendation above, is adequate and effective. Duties are segregated and the inventory is adequately safeguarded.

## ACKNOWLEDGEMENT

We would like to thank Charlotte County Fleet Management, Fiscal Services, and the Clerk Comptroller's Office for their assistance in the completion of this audit.

Audit performed by:

Orlando Solarte, Senior Internal Auditor and

Misti Payette, Internal Auditor

Charlotte County Clerk of Court & County Comptroller



## MEMORANDUM

Date: January 28, 2019  
To: Dan Revallo, Internal Audit Director  
From: Richard Arthur, Division Manager, Fiscal Services  
CC: Gordon Burger, Director of Budget and Administrative Services  
Subject: Responses to the Internal Audit on Year End Inventory Audit – Fuel Yards

Please find below the list of recommendations from your department, and the response from the Board.

1. Recommend that Fiscal Services include a control activity requiring that the value of the fuel inventory in EDEN be compared with the results of the physical inventory count.

**Response:** Fiscal Services will reconcile EDEN with the actual fuel amount on the day of the inventory reading. This will be documented in the Physical Inventory Standard Operating Procedure.

