



AUDIT REPORT



To preserve the public trust as guardians of the people's records and assets

DATE August 5, 2024

NO. 2024-005

**CHARLOTTE COUNTY UTILITIES
MID-YEAR WAREHOUSE INVENTORY
MARCH 22-25, 2024**

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



ROGER D. EATON
Clerk of the Circuit Court and County Comptroller

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To: The Honorable Roger D. Eaton, Charlotte County Clerk of the Circuit Court and County Comptroller

From: Dan Revallo, Internal Audit Director

Date: August 5, 2024

Subject: Utilities Mid-Year Warehouse Inventory March 22-25, 2024

Honorable Clerk Eaton,

The Internal Audit Division has completed a review of the Charlotte County Utilities Mid-Year Warehouse Inventory. Misti Payette, Internal Auditor II conducted this review.

We would like to thank client management and staff for their cooperation and assistance in the completion of this audit.

The report will be posted to the Clerk of Courts website, charlotteclerk.com, under Internal Audit, Audit Reports. A link to this report has been sent to the appropriate parties.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

Dan Revallo, CIA, CFE
Internal Audit Director
Charlotte County Clerk of the Circuit Court and County Comptroller

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EXECUTIVE SUMMARY

The Internal Audit Division completed an audit of the Charlotte County Utilities Department's physical inventory procedures. Specifically, Internal Audit observed the mid-year procedures performed at the Charlotte County Utilities (CCU) – Warehouse in March 2024. The Utilities Department provides potable water, wastewater treatment and disposal and reclaimed water for irrigation, serving over 60,000 homes and businesses throughout the unincorporated Charlotte County.

The CCU Department's mid-year physical inventory procedures were performed on March 22-25, 2024. The procedures performed and observations made by Internal Audit Division determined:

- the mid-year physical inventory procedures are both adequate and effective;
- the parts and materials maintained at the CCU – Warehouse are adequately safeguarded;
- the staff involved are both knowledgeable and professional;
- the duties observed are appropriately segregated and consistent with policy; and
- the Eden general ledger was accurately adjusted for the discrepancies identified.

The controls evaluated are considered adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.

BACKGROUND

The Charlotte County Utilities Department's mission is to provide safe, reliable drinking water, reclaimed water and wastewater service for the enrichment of the community. The Department provides potable water, wastewater treatment and disposal and reclaimed water for irrigation, serving over 60,000 homes and businesses throughout unincorporated Charlotte County.

The Utilities Department includes: i) administration, ii) business services, iii) engineering, and iv) operations. The Department is led by the Charlotte County Utilities Director, who works under the direction of the Charlotte County Administrator and Deputy County Administrator. The Department's policies and rates are established and reviewed by the Board of County Commissioners.

The Utility is a separate, government-owned enterprise that is fully funded by customer rates, fees and charges, not by ad-valorem tax dollars.

The Utilities Department's inventory is primarily maintained at the Charlotte County Utilities Warehouse & Operations Building B located in Port Charlotte. Enterprise Asset Management System (EAMS) software was used for the Department's parts and materials inventory and control up



until October 1, 2023, when the Department converted to CityWorks software. CityWorks is a computerized maintenance and asset management system.

The Department's inventory is accounted for within the *Charlotte County Utility System Fund* within the Eden general ledger, and valued at cost using the average cost method. Eden is a government financial software program. The County uses the consumption method of accounting for the utility inventory.

CCU Warehouse staff, in conjunction with Fiscal Services, perform an annual audit of the inventoried parts and materials maintained at the CCU Warehouse. This occurs at the end of each fiscal year and often includes a mid-year audit, such as the one observed in March 2024.

Below are some of the historic inventory levels maintained for Charlotte County Utilities Department:

- September 30, 2022 \$1,643,828
- January 17-19, 2023 \$2,105,512
- September 30, 2023 \$2,089,484
- March 31, 2024 \$3,541,499

AUDIT OBJECTIVES

1. Observe the physical inventory counts and evaluate the adequacy and effectiveness of internal controls over the inventory process.
2. Determine that adequate segregation of duties exists in the physical inventory process.
3. Ensure that inventory assets are properly safeguarded.
4. Ascertain that the mid-year inventory reconciliation is accurate and the general ledger is properly adjusted.

SCOPE AND METHODOLOGY

Internal Audit observed the Charlotte County Utilities (CCU) Department mid-year physical inventory procedures performed at the CCU - Warehouse on March 25, 2024.

While onsite, Internal Audit also performed independent test counts. Test counts were selected, at random, from the count sheets prepared as well as from the physical inventory found onsite at the CCU – Warehouse.



Internal Audit also requested and reviewed the Charlotte County Utilities Inventory Reconciliation for Quarter 2 through March 31, 2024, prepared by the Fiscal Services Division, to determine if the Eden general ledger was properly adjusted for the inventory discrepancies identified during the mid-year physical inventory procedures. The Eden general ledger was adjusted on March 25, 2024 and April 30, 2024.

CONCLUSION

The controls evaluated are considered adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.

ACKNOWLEDGEMENT

We would like to thank the Charlotte County Utilities Department and the Fiscal Services Division, as well as the Comptroller's Finance Division for their assistance in the completion of this audit.

Audit performed by:

Misti Payette, CIA, CRMA, CGAP

Internal Auditor II

Charlotte County Clerk of Court and Comptroller



Serving with compassion, expertise and efficiency in support of our community