Exhibit 1

Follow-up Review of Audit of Purchasing & Inventory Management at the Transit Division

Office of the County Auditor

Follow-up Review

Robert Melton, CPA, CIA, CFE, CIG
County Auditor

Review Conducted by:
Kathie-Ann Ulett, CPA, CFE, Deputy County Auditor
Gerard Boucaud, CIA, CISA, CDPSE, Audit Manager
Lisa Lott, CIA, Audit Supervisor
Francine Johnson, Staff Auditor
Miama Pinkney, Staff Auditor
Zoria Bacon, Staff Auditor

Report No. 25-15
April 23, 2025

April 23, 2025

Honorable Mayor and Board of County Commissioners

We conducted a Follow-up Review of our Audit of Purchasing and Inventory Management at the Transit Division (Report No. 22-21) dated September 30, 2022. The objective of our review was to determine the implementation status of our previous recommendations.

We conclude that of the 34 recommendations in the original report, 33 recommendations were implemented, and one recommendation was partially implemented. We commend management for implementing our recommendations. The status of each of our recommendations is presented in this follow-up report.

Please be advised that the information presented herein is not considered an audit in accordance with Generally Accepted Governmental Auditing Standards. Had we conducted an audit, we may have identified additional findings and concerns.

We appreciate the cooperation and assistance provided by the Transportation Department throughout our review process.

Respectfully submitted,

Bob Melton
County Auditor

cc: Monica Cepero, County Administrator
       Andrew Meyers, County Attorney
       Dr. Kimm Campbell, Deputy County Administrator
       Kevin Kelleher, Assistant County Administrator
       Coree Cuff Lonergan, Director, Transportation

TABLE OF CONTENTS

IMPLEMENTATION STATUS SUMMARY

**Implementation Status of Previous Recommendations from the Audit of Purchasing and Inventory Management
at the Transit Division**

Rec. No.	PREVIOUS RECOMMENDATION	IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
1.A	We recommend that management require all parts to be distributed using a work order unless the item is specifically exempted for distribution using direct issue by management.	✓			
1.B	We recommend that management prohibit the use of generic or blank equipment numbers in AssetWorks unless the item is specifically exempted from this requirement by management.	✓			
1.C	We recommend that management ensure that appropriate segregation of duties is established and enforced for inventory transfers.		✓		
1.D	We recommend that management enhance standard operating procedures to include the following: i. Requirements to adequately account for the issuance of inventory without a work order (i.e., direct issue). ii. Specific processes and safeguards for issuing or receiving inventory when storeroom personnel are unavailable. In such instances, a mechanic may work as	✓			

Rec. No.	PREVIOUS RECOMMENDATION	IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
	a storekeeper when a storekeeper is not on duty creating a potential segregation of duties conflict. iii. Adequate controls to ensure appropriate segregation of duties to prevent a single individual from requesting, filling, and receiving transferred inventory. iv. Time requirements for transfers to be completed.				
2.A	We recommend that management implement procedures to periodically obtain and review the listing of all individuals with keycard access to the inventory rooms to evaluate whether access is appropriate. The listing should include all individuals, from all access groups, who have keycard access to all inventory room doors. In addition, management should ensure that authorized physical access forms are retained and maintained.	✓			
2.B	We recommend that management explore the use of physical access cards to the Copans inventory room to improve tracking and employee accountability. In addition, we recommend that if a physical key is used, management should implement additional monitoring controls, such as security cameras, and ensure the possession of physical keys is adequately tracked.	✓			
2.C	We recommend that management develop formal policies and procedures governing the authorization and revocation of access to inventory, job functions that require access inventory, segregation of duties, and access monitoring.	✓			

Rec. No.	PREVIOUS RECOMMENDATION	IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
2.D	We recommend that management ensure all entrances and exits to areas where inventory is stored at the Copan and Ravenswood facilities are adequately secured.	✓			
3.A	We recommend that management implement procedures to ensure the P-Card Administrator is immediately notified of P-Card cancellations for all employee terminations and transfers.	✓			
3.B	We recommend that management Ensure a backup P-Card Administrator is available to facilitate the timely cancellation of P-Cards when the primary P-Card Administrator is not available.	✓			
3.C	We recommend that management ensure appropriate procedures are in place to prevent the use of P-Cards after the authorized employee's transfer or termination date and ensure any transaction that occurs after the separation date are identified and investigated.	✓			
4.A	We recommend that management implement procedures to monitor and enforce the use of master agreements, where available.	✓			
4.B	We recommend that management establish or piggy-back on master agreements with vendors to cover frequent purchases, where practical.	✓			
5.A	We recommend that management take appropriate disciplinary actions defined in the P-Card manual for any employee involved in splitting and ensure appropriate procedures are implemented for approvers to identify split transactions.	✓			

Rec. No.	PREVIOUS RECOMMENDATION	IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
5.B	We recommend that management ensure that cardholders submit all the required supporting documentation for P-Card purchases and work with the ERP team to prevent supporting documents becoming unlinked from transactions in PeopleSoft.	✓			
5.C	We recommend that management ensure all P-Card purchases are delivered to a County location.	✓			
6	We recommend that management document reviews of monthly P-Card transaction reports by Agency Directors.	✓			
7.A	We recommend that management enhance the P-Card program by requiring periodic refresher training, especially when changes are made to the program.	✓			
7.B	We recommend that management update the P-Card manual to reflect the threshold increase for capital assets.	✓			
8.A	We recommend that management ensure capital assets are properly identified in the County's accounting system once the PeopleSoft Purchasing and Financials Asset Management module is implemented.	✓			
8.B	We recommend that management work with the Accounting Division to ensure capital assets are properly asset tagged in compliance County policies and procedures.	✓			

Rec. No.	PREVIOUS RECOMMENDATION	IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
9.A	We recommend that management implement adequate procedures to ensure inventory purchases, purchased through the general procurement process or P-Card, are entered into the inventory system.	✓			
9.B	We recommend that management ensure all general procurement purchases are appropriately received and signed for by someone independent of the purchaser.	✓			
10.A	We recommend that management conduct the annual physical inventory counts in compliance with County policies procedures. In instances, where exceptions to County Policy are required, management should ensure such exceptions are formally approved by the appropriate authority, and adequate mitigating controls identified and evaluated.	✓			
10.B	We recommend that management update AssetWorks to reflect the actual inventory on hand as a result of the annual inventory count.	✓			
11.A	We recommend that management ensure administrator access within AssetWorks is adequately designed to restrict access based on employee job responsibilities and segregation of duties restrictions as required by County Policy.	✓			
11.B	We recommend that management ensure user access within AssetWorks is adequately designed to restrict access based on employee job responsibilities and segregation of duties restrictions as required by County Policy.	✓			

Rec. No.	PREVIOUS RECOMMENDATION	IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
11.C	We recommend that management establish policies and procedures to periodically review user activity logs within AssetWorks incompatible actions and abnormalities.	✓			
12.A	We recommend that management evaluate and formally approve the significant deficiency inventory threshold.	✓			
12.B	We recommend that management investigate all significant discrepancies between the physical count and the on-hand balance in AssetWorks.	✓			
13.A	We recommend that management adequately segregate, store and secure obsolete, surplus, or damaged inventory.	✓			
13.B	We recommend that management implement procedures to ensure that all payments for scrap metal are received by the accounting department.	✓			
14.A	We recommend that management develop and use performance measures to evaluate the results of the annual physical inventory count.	✓			
14.B	We recommend that management strengthen its inventory monitoring practices to determine appropriate reorder points and optimal order quantities.	✓			

INTRODUCTION

Scope and Methodology

The Office of the County Auditor conducts audits of Broward County's entities, programs, activities, and contractors to provide the Board of County Commissioners, Broward County's residents, County management, and other stakeholders unbiased, timely and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted a Follow-up Review of our Audit of Purchasing and Inventory Management at the Transit Division (Report No. 22-21) dated September 30, 2022. The objective of our review was to determine the implementation status of our previous recommendations.

Please be advised that the information presented herein is not considered an audit in accordance with Generally Accepted Governmental Auditing Standards. Had we conducted an audit, we may have identified additional findings and concerns.

Our follow-up review included such tests of records and other auditing procedures, as we considered necessary in the circumstances. The review period was October 1, 2022, through March 20, 2025. However, transactions, processes, and situations reviewed were not limited by the review period.

Overall Conclusion

We conclude that of the 34 recommendations in the original report, 33 recommendations were implemented, and one recommendation was partially implemented. We commend management for implementing our recommendations. The status of each of our recommendations is presented in this follow-up report.

OPPORTUNITIES FOR IMPROVEMENT

This section reports actions taken by management on the Opportunities for Improvement in our previous review. The issues and recommendations herein are those of the original review, followed by the status of the recommendations.

1. Inventory Distribution Procedures were not Consistently Followed, Increasing Risk of Misappropriation.

During our review of inventory distribution procedures, we noted the following:

A. Twenty three percent (23%) of inventory distributions were not issued using a work order but were directly issued (direct issue) without any record of who received the part or what the part was used for reducing management's ability to determine how the inventory was utilized, as well as which equipment the inventory was used for.

   We noted that 301 of 24,101 (12%) parts with a cost of $1,000 or greater, totaling $1.24 million, were directly issued which does not comply with the intended use of direct issue and increases the risk of misappropriation of County Assets.

B. The equipment identification number in AssetWorks was not consistently utilized to identify the specific equipment for which inventory parts were used. We noted approximately 14% of all inventory distributions, totaling $2 million, had a blank or generic code as an equipment number.

   We noted that approximately 15% of all inventory distributions with a unit cost greater than $1,000, totaling $1.37 million, had a blank or generic code as an equipment identification number with over 90% of this number representing items being directly issued (See Opportunity for Improvement 1A).

C. Segregation of duties for inventory transfers between warehouses was not established and was not enforced. Specifically, we noted:

   i.   In four of 30 (13%) inventory transfers sampled, the same individual requested, transferred, and received the inventory transfer within AssetWorks.

    ii.   In one of 30 (3%) inventory transfer sampled, an Accounting Specialist, requested and transferred the inventory within AssetWorks which appears to be outside of typical job responsibilities based on available job descriptions.

    iii.   In two of 30 (6%) inventory transfers sampled the same individual transferred and received the inventory within AssetWorks.

D. Standard Operating Procedures (SOP) for inventory disbursements and transfers were inadequate. We noted that SOPs did not outline:

    i.   Requirements to adequately account for the issuance of inventory without a work order (i.e., direct issue).

    ii.   Specific processes and safeguards for issuing or receiving inventory when storeroom personnel are unavailable. In such instances, a mechanic may work as a storekeeper when a storekeeper is not on duty creating a potential segregation of duties conflict as allowed by the labor agreement.

    iii.   Adequate controls to ensure appropriate segregation of duties to prevent a single individual from requesting, filling, and receiving transferred inventory.

    iv.   Time requirements for transfers to be completed.

Recommendation 1

We recommended management:

A. Require all parts to be distributed using a work order unless the item is specifically exempted for distribution using direct issue by management.

B. Prohibit the use of generic or blank equipment numbers in AssetWorks unless the item is specifically exempted from this requirement by management.

C. Ensure that appropriate segregation of duties is established and enforced for inventory transfers.

D. Enhance standard operating procedures to include the following:

    i.   Requirements to adequately account for the issuance of inventory without a work order (i.e., direct issue).

    ii.   Specific processes and safeguards for issuing or receiving inventory when storeroom personnel are unavailable. In such instances, a mechanic may work as a storekeeper when a storekeeper is not on duty creating a potential segregation of duties conflict.

    iii.   Adequate controls to ensure appropriate segregation of duties to prevent a single individual from requesting, filling, and receiving transferred inventory.

| iv. | Time requirements for transfers to be completed. |

Implementation Status:

A. **Implemented.**

B. **Implemented.**

C. **Partially Implemented**. One of four (25%) sampled inventory transfers did not have appropriate segregation of duties for items requested, transferred, and received.

Management indicated that since Standard Operating Procedures were established in 2021, as well as with the current revision in 2024, discrepancies during transfers have decreased dramatically from approximately 17% in 2021 to less than 1% in 2024.

We continue to recommend management ensure that appropriate segregation of duties is established and enforced for inventory transfers.

D. **Implemented**.

    i.   Implemented.

    ii.   Implemented.

    iii.   Implemented.

    iv.   Implemented.

2.   Physical Security Controls Safeguarding Inventory were Inadequate.

During our review of physical security controls safeguarding inventory, we noted the following concerns:

A. Management had not implemented procedures to periodically validate that access to inventory rooms at the Ravenswood facility were restricted to authorized personnel only. During our review of access logs to inventory rooms from July 1st through August 10, 2021, we noted 24 of 35 (68%) individuals *(32 employees and 3 contractors)* that accessed the inventory room using a keycard were not Storekeepers. In addition, physical access authorization forms were not available for review for the 18 employees sampled.

B. Inventory rooms at the Copans facility were not equipped with an electronic badge access system.

C. Management had not developed formal division policies and procedures to govern the authorization and revocation of physical access to inventory. While we noted that management had established an informal process, we identified the following concerns:

    i. Job roles or functions with appropriate segregation of duties that require physical access to inventory had not been clearly defined.

    ii. The authorization process for granting and revoking physical access to inventory, as well as the approving authority had not been formally established.

    iii. A process to periodically review employees with access to inventory to ensure that continued access is required for job responsibilities had not been developed.

D. Entrances and exits to some areas where inventory is stored at the Copan's facility were not adequately secured. Specifically, we noted unsecured inventory stored in three locations

    i. Outside storage containers.

    ii. Welding Shop

    iii. Large room, northwest side

    iv. One unsecured doorway into the Parts Room at the Ravenswood facility. The unprotected doorway is on the second floor of the parts room, from the administrative offices. The door serves as an emergency exit and is left open to employees without additional alarms or surveillance.

Recommendation 2

We recommended management:

A. Implement procedures to periodically obtain and review the listing of all individuals with keycard access to the inventory rooms to evaluate whether access is appropriate. The listing should include all individuals, from all access groups, who have keycard access to all inventory room doors. In addition, management should ensure that authorized physical access forms are retained and maintained.

B. Explore the use of physical access cards to the Copans inventory room to improve tracking and employee accountability.   In addition, we recommend that if a physical key is used,

management should implement additional monitoring controls, such as security cameras, and ensure the possession of physical keys is adequately tracked.

C. Develop formal policies and procedures governing the authorization and revocation of access to inventory, job functions that require access inventory, segregation of duties, and access monitoring.

D. Ensure all entrances and exits to areas where inventory is stored at the Copan and Ravenswood facilities are adequately secured.

Implementation Status:

A. **Implemented.**

B. **Implemented.**

C. **Implemented.**

D. **Implemented.**

3.   Purchasing Cards were not Deactivated or Cancelled Timely.

Purchasing cards (P-Cards) were not consistently deactivated or cancelled within 24 hours of employee termination or transfer. During our review, we noted that six of 10 P-Cards for terminated or transferred employees reviewed were not cancelled within 24 hours of termination or transfer.

A. For five of six P-Cards, it took an average of 11 days ranging from 3 to 17 days after the date of transfer or termination to notify the Purchasing Administrator within the Purchasing Division to cancel the P-Card.

B. For one of six P-Cards, the Purchasing Administrator was notified within 24 hours, however, the card was not cancelled until 16 days later

C. One of the six P-Cards reviewed had a transaction subsequent to the employee's termination date in the amount of $3,499.

Recommendation 3
We recommended management:

> A. Implement procedures to ensure the P-Card Administrator is immediately notified of P-Card cancellations for all employee terminations and transfers.
>
> B. Ensure a backup P-Card Administrator is available to facilitate the timely cancellation of P-Cards when the primary P-Card Administrator is not available.
>
> C. Ensure appropriate procedures are in place to prevent the use of P-Cards after the authorized employee's transfer or termination date and ensure any transaction that occurs after the separation date are identified and investigated.

Implementation Status:

A. **Implemented.**

B. **Implemented.**

C. **Implemented.**

4. Master Agreements were not Consistently Utilized, Where Available.

During our evaluation of the use of Master Agreements for P-Card transactions, we noted the following:

A. The use of master agreements was not enforced or monitored. Supporting documentation was not maintained to evidence P-Card holders are utilizing master agreements; and management was not able to track or monitor P-Card purchases to ensure existing master agreements are consistently used. For 24 P-Card transactions from the top eight vendors with the highest aggregate purchases, we observed the following:

  i. For 21 of 24 (88%) of transactions tested, management was not able to identify if the existing master agreements were used for these purchases.)

  ii. For 18 of 24 (75%) of transactions tested, management was not able to verify the prices paid were in accordance with the master agreement pricing.

B. Master Agreements were not established for some vendors with a large number of P-Card purchases.

Recommendation 4

We recommended management:

> A. Implement procedures to monitor and enforce the use of master agreements, where available.
>
> B. Establish or piggy-back on master agreements with vendors to cover frequent purchases, where practical.

Implementation Status:

A. **Implemented**.

B. **Implemented**.

5.   P-Card Program Requirements were not Consistently Followed.

During our evaluation of P-Card transactions we noted the following:

A. Six transactions totaling $24,152 that appeared to be split across multiple purchases in an effort to circumvent the purchasing limits established in the Purchasing Card Program Policies & Procedures Manual (P-Card Manual).

B. Seven of 60 (12%) of P-Card transactions sampled were approved by P-Card Approvers without adequate supporting documentation in PeopleSoft to facilitate a review.

C. We noted one unusual transaction for an item that was purchased and shipped to an employee's residence as opposed to a County location, which is a violation of County policy.

> **Recommendation 5**
>
> **We recommended** management:
>
> A. Take appropriate disciplinary actions defined in the P-Card manual for any employee involved in splitting and ensure appropriate procedures are implemented for approvers to identify split transactions.
>
> B. Ensure that cardholders submit all the required supporting documentation for P-Card purchases and work with the ERP team to prevent supporting documents becoming unlinked from transactions in PeopleSoft.
>
> C. Ensure all P-Card purchases are delivered to a County location.

Implementation Status:

A. **Implemented**.

B. **Implemented**.

C. **Implemented**.

6. Monthly P-Card Activity Reviews by Agency Directors Required Enhancement.

During our evaluation of monthly P-Card reviews by Agency Directors, we noted Agency Directors did not consistently document their reviews of monthly P-Card transactions.

Recommendation 6
We recommended management document reviews of monthly P-Card transaction reports by Agency Directors.

Implementation Status: Implemented

7. The P-Card Program Required Enhancement.

During our review of the Purchasing Card Policies and Procedures Program Manual, we noted the following:

A. The P-Card manual did not require periodic training for P-Card holders when updates to the program are made.

B. The P-Card manual had not been updated to reflect the new capital threshold increase from $1,000 to $5,000, effective October 1, 2020.

Recommendation 7
We recommend management:
A. Enhance the P-Card program by requiring periodic refresher training, especially when changes are made to the program.
B. Update the P-Card manual to reflect the threshold increase for capital assets.

Implementation Status:

A. **Implemented**.

B. **Implemented**.

8.   Capital Equipment were not Consistently Flagged in the Accounting System and Tagged.

During our review of capital asset purchases, we noted the following:

A.   Five of seven (71%) P-Card purchases of capitalized assets reviewed, totaling $10,543, and 15 of 15 (100%) general procurement purchases of capitalized equipment were not flagged as capital assets within the County's financial system.

B.   Seven of the seven (100%) P-Card purchases of capitalized equipment and eight of 15 (53%) general procurement purchases of capitalized equipment reviewed were not asset tagged.

Recommendation 8

We recommended management:
 	
  A.   Ensure capital assets are properly identified in the County's accounting system once the PeopleSoft Purchasing and Financials Asset Management module is implemented.
 	
  B.   Work with the Accounting Division to ensure capital assets are properly asset tagged in compliance County policies and procedures.

Implementation Status:

A.   **Implemented**.

B.   **Implemented**.

9.   Inventory Purchase and Receiving Procedures were not Consistently Followed.

During our review of inventory purchases, we noted the following:

A.   Four of 30 (13%) inventory purchases sampled, were not entered in the inventory system. Two of the purchases were made using the general procurement process and the other two purchases were made using P-Cards.

B.   Two of 15 (13%) inventory purchases sampled made using the general procurement process had no evidence of receipt by the County.

Recommendation 9

We recommended management:

A. Implement adequate procedures to ensure inventory purchases, purchased through the general procurement process or P-Card, are entered into the inventory system.

B. Ensure all general procurement purchases are appropriately received and signed for by someone independent of the purchaser.

Implementation Status:

A. **Implemented**.

B. **Implemented**.

10. Annual Physical Inventory Counts were not Conducted in Compliance with County Policy.

During our review of annual physical inventory counts, we noted the following:

A. Annual physical inventory counts were not consistently conducted in compliance with County policies and procedures and agency specific standards. We noted 0 of 73 or (0%) of the count sheets reviewed had the personnel required to segregate the recording and counting functions required by CAPP policies.

B. The inventory management system of record (AssetWorks) was not updated to reflect the actual inventory on hand as a result of the inventory counts at the end of fiscal years 2020 and 2021.

Recommendation 10

We recommended management:

A. Conduct the annual physical inventory counts in compliance with County policies procedures. In instances, where exceptions to County Policy are required, management should ensure such exceptions are formally approved by the appropriate authority, and adequate mitigating controls identified and evaluated.

B. Update AssetWorks to reflect the actual inventory on hand as a result of the annual inventory count.

Implementation Status:

A. **Implemented**.

B. **Implemented**.

11. User Access to the Inventory System was not Adequately Designed to Enforce County Policies.

During our review of access to Transit's inventory system, AssetWorks, we noted the following concerns:

A. Management had not adequately designed privileged access within AssetWorks to restrict access based on employee job responsibilities and segregation of duties restrictions as required by County Policy.

    i. The "System Admin" user group within AssetWorks were able to perform all system functions without appropriate monitoring allowing them to bypass segregation of duties controls over inventory management processes.

    ii. System Admin access was also not segregated by agency or location. For example, the Information Technology Supervisor at the Port Finance Section had the ability to view and perform inventory transactions at Transit.

B. Users were not consistently assigned to user groups within AssetWorks based on job title and management had not formally documented its access policies for translating roles and responsibilities related to inventory management into system access.

C. User activity logs within AssetWorks were not periodically reviewed to detect inappropriate inventory activity.

Recommendation 11

We recommended management:

A. Ensure administrator access within AssetWorks is adequately designed to restrict access based on employee job responsibilities and segregation of duties restrictions as required by County Policy.

<div style="background-color:#f5c9a0; padding:10px;">

B. Ensure user access within AssetWorks is adequately designed to restrict access based on employee job responsibilities and segregation of duties restrictions as required by County Policy.

C. Establish policies and procedures to periodically review user activity logs within AssetWorks incompatible actions and abnormalities.

</div>

Implementation Status:

A. **Implemented**.

B. **Implemented**.

C. **Implemented**.

12. Significant Inventory Deficiency Threshold was not Evaluated and Formally Approved.

During our review of inventory discrepancies, we noted the following:

A. The significant deficiency inventory threshold development of $5,000 had not been formally approved by the Transportation Director and was not evaluated to ensure its adequacy to alert management of issues with the inventory system or with warehouse operations that affect inventory balances. During our analysis, there were $326,271 in positive variances, where the amount of inventory on hand exceeded the amount recorded in the inventory system, and $447,943 in negative variances, where the amount of inventory on hand was less than the amount recorded in the inventory system, that fell below the $5,000 threshold and were therefore not investigated.

B. Fourteen of 43 (33%) of the significant deficiencies (shortages) noted in the annual physical inventory count, totaling $108,370, were not investigated, or researched. Shortages included two generators totaling $17,167, two booster inverters totaling $15,796, and $75,407 in parts and supplies that were unaccounted for.

Recommendation 12
We recommended management:
A. Evaluate and formally approve the significant deficiency inventory threshold.
B. Investigate all significant discrepancies between the physical count and the on-hand balance in AssetWorks.

Implementation Status:

    A. **Implemented**.

    B. **Implemented**.

13. Established Processes for Handling Obsolete, Surplus, or Damaged Inventory Required Enhancement.

Established processes for handling obsolete, surplus, or damaged inventory required enhancement. During our review, we noted the following:

A. Management does adequately segregate, store and secure obsolete, surplus, or damaged inventory. There is not a designated space to store obsolete, surplus, or damaged inventory. Obsolete, surplus, and damaged items are not consistently secured safely and are stored in numerous locations throughout the warehouse.

B. Management has not implemented a process to ensure that all payments for scrap metal are received by the accounting department. Transactions are only recorded when checks are received.

Recommendation 13
We recommended management
A. Adequately segregate, store and secure obsolete, surplus, or damaged inventory.
B. Implement procedures to ensure that all payments for scrap metal are received by the accounting department.

Implementation Status:

    A. **Implemented**.

    B. **Implemented**.

14. Oversight of Physical Inventory Management Required Enhancement.

During our review, we noted the following opportunities for management to increase oversight activities:

A. Transit did not use performance measures to evaluate the results of the inventory count.

B. Management did not formally analyze and monitor its inventory to determine the inventory turnover rate, appropriate reorder points and optimal order quantities.

Recommendation 14
We recommended management: A. Develop and use performance measures to evaluate the results of the annual physical inventory count.   B. Strengthen its inventory monitoring practices to determine appropriate reorder points and optimal order quantities.

Implementation Status:

A. **Implemented**.

B. **Implemented**.