



# FACT SHEET

Audits and Investigations

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## WAREHOUSE MAINTENANCE AUDIT

### BACKGROUND

The Maintenance Program is responsible for helping Caltrans meet its mission by protecting public safety and preserving California's highways. Moreover, the Maintenance Program allocates approximately \$18 million annually to the headquarters warehouse which is managed by the Division of Procurement and Contracts (DPAC), for material purchases and is reimbursed based on the materials usage. In addition, there are 22 district warehouses that are managed by the Maintenance Program, and two that are managed by the Administration Program.

### KEY FINDINGS

Our audit disclosed that the Sacramento warehouse and one district warehouse comply with Caltrans policies and procedures for tracking, recording, and allocating costs for maintenance and non-maintenance materials. However, the overall warehouse program needs improvement to ensure the effective operation of these functions in the following areas:

- Poor inventory controls at district warehouses resulting in overstated inventory balances, including unaccounted inventory items and obsolete materials
- Antiquated inventory system
- Other internal control deficiencies including unclear delegated authority, inconsistent staffing, access to one of the warehouses tested by non-Caltrans personnel, incomplete Local Request forms and inconsistent walk-in and advance orders
- Materiel management manual needs revision

### KEY RECOMMENDATIONS

The audit resulted in several recommendations including:

- District management to require district warehouses to promptly post local requests for materials issued, and implement DPAC recommendations for inventory best practices.
- District management to require completion of cycle counts to ensure all inventory is counted at least once annually.
- District management to ensure improved segregation of duties, completion of documentation at the warehouses and restriction of access to materials.
- DPAC to continue yearly visits to district warehouses and report the results of its spot counts, warehouse inspections, and recommendations to District Warehouse Management.
- DPAC, the Division of Maintenance and District Warehouse management to resolve the disposition of obsolete items.
- DPAC to continue efforts to replace the Service and Supply Material Management System and work with the Division of Accounting to resolve the issue of rejected valid transactions.
- DPAC to reviews and update the Materiel Management Manual.

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