



FREDERICK COUNTY GOVERNMENT INTERAGENCY INTERNAL AUDIT AUTHORITY

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Memorandum

To: Denise Pouget
Director/Fire Chief, Division of Fire & Rescue Services

From: Tricia A. Griffis, CPA
Director, Internal Audit Division

Tricia A. Griffis

Date: July 10, 2014

Subject: Warehouse & Station Inventory

Introduction and Summary

At the request of the Division of Fire and Rescue Services (DFRS) the Internal Audit Department (IA) performed a non-attest special project assisting with the logistics warehouse and fire station inventory and review of policies and procedures within DFRS over logistics inventory. The project also included a count and verification of apparatus held at the logistics warehouse, each station and fire and rescue headquarters. The procedures and work performed by IA constitutes a non-attest engagement and does not fall under the guidance of Generally Accepted Government Auditing Standards (GAGAS).

During the special project we searched for policies and procedures over the DFRS logistics warehouse surrounding inventory held and the recording of inventory information for new and issued turnout gear to the warehouse. We also assisted in an inventory count of items currently held at the warehouse as well as turnout gear (coats, pants and helmets) and apparatus at the stations and other DFRS locations.

We found no formal policies and procedures currently in place surrounding the purchase or recording of inventory of turnout gear at the DFRS logistics warehouse and that controls are currently inadequate at the warehouse and in communications between the warehouse and stations when personnel and volunteers leave their positions or become inactive. We also found that the current inventory system was not accurate in the count of physical non-issued inventory held at the warehouse nor was the system accurate of the count of issued inventory held at the stations.

It is management's responsibility to design and implement an adequate system of internal control, and it is the IA's responsibility to determine if management's system of internal control is functioning properly in relation to the objectives of the special project. It is also management's responsibility to decide if action should be taken in response to any reported recommendations, taking into consideration related costs and benefits. Management, therefore, assumes the risk of making the decision not to implement any reported recommendations.

The objective of the special project was to determine if controls in place over inventory were adequate and determine if the inventory system is properly tracking turnout gear and supplies. During the inventory process over gear IA also inventoried apparatus and portable radios as a service to DFRS. Recommendations made resulting from this project will assist in the development of policies and procedures for both operations and logistics. The scope of the project was held to inventory at the logistics warehouse, turnout coats, pants and helmets within the station locations, apparatus located at the warehouse, station locations and DFRS headquarters, and radios located at the station locations.

Background

The logistics division of DFRS orders and maintains inventory of EMS supplies, turnout gear (coats, pants, helmets, boots, gloves, hoods, etc), uniforms and other supplies as determined necessary by DFRS. The inventory is stored at the logistics warehouse located on Scholl's Lane in Frederick. This division of fire and rescue holds a budget in which it orders supplies and gear as needed in order to service all 30 fire stations within the County. Both career and volunteer fire personnel may go to the warehouse with station chief approval to obtain necessary turnout gear, uniforms and supplies. Logistics currently maintains record of that inventory on a software program called WASP. The system tracks inventory issued and held within the warehouse however does not track 100% of whom and where the released items were provided. When personnel request items such as turnout gear they bring in a paper release approval signed by their station chief. These paper forms are maintained by warehouse personnel. It was brought to the attention of IA that a physical inventory count had never been conducted to ensure that the physical inventory matched the recorded inventory in WASP. It was also brought to the attention of IA that formal policies and procedures surrounding the controls and processes of the warehouse inventory do not exist. The warehouse does contain one security camera at the main entrance. This camera allows for control of who is entering and exiting the facility from the main entrance however, does not allow for security controls at the other entrances to the building (garage bays and side entrance). All entrances to the warehouse remain locked and there is a doorbell system utilized to gain access at the main entrance.

The warehouse location is also utilized for laundering dirty turnout gear and sending turnout gear out for repairs as well as testing self-contained breathing apparatus (SCBA) gear. Therefore management at the warehouse must also track this additional turnout gear activity and provide loaner gear to personnel while gear is laundered or repaired.

Over the past few months DFRS has experienced turnover in the position of Chief, Deputy Chief of Logistics, Deputy Chief of Operations, and Financial Manager along with adding an

Operations Supply Manager at Logistics. The Operations Supply Manager was added due to concerns over internal controls and processes as it relates to the warehouse.

To address the concerns brought forth and observed we held multiple meetings with the Fire Chief, the Deputy Chief of Logistics, the Operations Supply Manager and the Finance Manager to discuss current policies and procedures as well as to gain an understanding of the current inventory system and employee positions within the warehouse. We also took a tour of the warehouse and learned about the warehouse functions in a live visit.

IA then obtained the current inventory listing for new gear on shelves in the warehouse along with issued gear to both volunteer and career personnel. IA then totaled the gear by size in the new and issued categories and compared them in an excel spreadsheet. This analysis allowed IA and the logistics warehouse to see the sizes on hand listed as new and in the warehouse as compared to sizes issued to gain an understanding if the inventory on hand and listed as new is in gross abundance based on the needs of issued gear for updating. The analysis also allowed IA to see approximately the dollar value of gear estimated in the warehouse in accordance with the current inventory system.

To further our understanding and manage the inventory process we took part in the actual inventory counting which took place over a 4 day period counting EMS supplies, uniforms, turnout gear (including coats, pants, boots and helmets) as well as miscellaneous supplies. Our count did not contain self-contained breathing apparatus (SCBA) due to the fact that DFRS is currently undergoing SCBA flow testing and will take inventory as each device is tested (both issued and new in the warehouse). During the inventory process IA put together the formal inventory count sheets to be utilized and managed the process to ensure data collected was in the form needed to determine if inventory currently maintained matched the actual inventory count within a reasonable value. IA also personally visited stations collecting data on turnout gear inventory issued at both career and volunteer stations within the County to determine if the current inventory system properly documented issued gear and if noted issued gear is missing. This process also allowed IA to determine if turnout gear issued is expired and should be replaced in accordance with fire safety standards. During both the warehouse and station inventory visits IA verified apparatus held at each fire and rescue location for records maintenance and insurance purposes.

DFRS works with 30 fire stations, of which 3 stations house career personnel only and 8 stations are 100% volunteer manned stations. IA went to each station in April 2014 with the exception of station 26 (Emmitsburg Ambulance Co.) which is currently suspended. At each station IA viewed all turnout coats, pants and helmets obtaining the name of the personnel or volunteer, serial number, manufacture date and size. Information on gear was gathered for the purpose of comparing to the logistics inventory system as well as determines if outdated gear was out in the field which needed to be replaced causing a risk management concern. This activity also allowed for determination of gear budgeting needs in future years.

During station visits IA also viewed and noted all apparatus and vehicles, including trailers, at each station as well as portable and mobile radios. Apparatus, vehicle and trailer information was gathered at each station as a result of the fact that DFRS did not have an accurate vehicle and apparatus listing. This information is imperative for both DFRS and the County in relation to risk management, asset tracking and insurance purposes. During this review of apparatus it was also noted that there were multiple vehicle and apparatus asset listing held within DFRS, and also a listing held with Fleet services. As a service to DFRS during the station visits and collecting data at each station, IA gathered portable and mobile radio data as well. This data will allow DFRS to understand the number of radios utilized and needed at each station for future budgeting and tracking purposes.

Observations and Recommendations

Warehouse Observations:

- There are limited and out-dated controls at the warehouse as it pertains to record-keeping of inventory held and issued.
- Gear issued is mainly tracked on paper form especially for volunteers.
- There are no written policies and procedures surrounding the tracking of inventory in the warehouse and inventory leaving the warehouse.
- The current inventory system is not accurate in the tracking of new and issued turnout gear.
- There was an abundance of gear held at the warehouse totaling around \$1,000,000 of which \$890,000 includes turnout coats, pants, boots and helmets. Of the \$890,000 of gear approximately \$100,000 is 2007 dated gear which has a limited life set to expire at the end of 2016. The remaining items were supplies and SCBA gear.
- The number of turnout boots accumulated to approximately \$95,000 in value.
- A significant surplus of old uniform items were found at the warehouse in which it was impossible to calculate a dollar value. Boxes of old polo shirts, t-shirts, sweats and uniform items were found unused and sitting.
- A large amount of items such as old TVs, emergency preparedness supplies and other medical supplies were noted as stored in the warehouse by other agencies.
- Currently the logistics warehouse is not at the same location as DFRS headquarters on Reich's Ford Road and therefore, employees are split from central command.

Warehouse Recommendations:

Recommendation 1:

Currently the inventory system is not utilized properly. Inventory for high risk safety items such as turnout gear, SCBA, boots and helmets should be fully tracked by serial number, individual and station location. This allows DFRS to understand where gear is located at all times and if gear comes to expiration to allow for timely ordering and budget planning. IA understands that with the movement of career personnel a high level of communication between operations and logistics will need to occur to ensure the information is reflected in the system and on a timely basis. IA recommends that DFRS implement a new inventory system that has the capability to fully track volunteer and

career gear as well as supplies. It is also recommended that the tracking is performed real time and updated through constant communication.

Recommendation 2:

IA recommends that DFRS along with all stations (including volunteer stations) implement policy and procedures over an annual inventory process of SCBA and turnout gear (which is County owned). Each station should report to the warehouse manager on the gear so that they can compare records ensuring that gear by serial number is still with the proper owner and tracking. Logistics may choose to assign personnel to perform inventory by station or assign station or Battalion Chiefs this role. This annual inventory will allow DFRS the ability to better budget and order new gear, and request for returned gear in a timely manner when either personnel or volunteers are no longer utilizing gear. However, stations should also be required to notify the DFRS warehouse once an individual leaves who had County issued gear.

Recommendation 3:

It was apparent during the warehouse visit that gear is held for extended periods of time almost \$100,000 of 2007 gear was still on the shelves with an expiration date only 3 years away out of a 10 year life. It is recommended that DFRS utilize policies and procedures as recommended above in order to track gear by serial number and size. Capturing size data in the inventory system will allow for the DFRS logistics warehouse to have a greater understanding of needed gear sizes to keep in stock. We recommend that gear be ordered as needed by tracking expiration dates and sizes through the inventory software to avoid large overstock and expiring gear sitting on shelves at a high value.

Recommendation 4:

To avoid excess waste DFRS should purchase and issue the type of turnout gear boot that the personnel use. It is apparent that the majority of the personnel do not use the boots the County currently purchases. Boots remain idle in the warehouse until expired and need removal. If the County purchased the boots that personnel choose to use there would be less waste. Due to budget constraints and additional costs of leather boots this change would need to be phased in over time rather than all at once.

Recommendation 5:

There is an overabundance in uniform gear at the warehouse in the form of t-shirts, polos, pants and sweats. IA recommends that these uniforms continue to be utilized until depleted and if out of date and not utilized any longer for whatever reason be removed by donating to charity or destroying as they are currently wasting space in a warehouse that could be of smaller size. We also recommend that the DFRS logistics department only order what they need in uniform styles or as much to get vendor discounts for the uniforms rather than over ordering at any given time. DFRS should also try to remain with one set of uniform style until the excess has been utilized rather than changing frequently causing waste with overstock.

Recommendation 6:

IA recommends that DFRS work with the Health Department and Emergency Management Division to determine the most cost effective means between shared or

separate warehousing. Currently there are old outdated and bulk items from both the Health Department and Emergency Management Division stored at the DFRS logistics warehouse. These departments should work together to determine proper disposal of outdated items and the most efficient storage. The warehouse size could be reduced if the Health Department and Emergency Management Division move their excess inventory also located in the DFRS warehouse. Some items are old and out-dated and those departments should remove those items from the warehouse to allow for reduced space. Removal of some of these items could be to charitable organizations.

Recommendation 7:

We recommend the installation of additional security cameras in the logistics warehouse. Currently there is one camera at the front entrance, however, during the IA warehouse visit, it was apparent that individuals can come and go through a back/side door and garage doors as well which lead immediately into the warehouse. It also appears that individuals can enter the premises over the weekend hours. If cameras were installed in the warehouse it would deter theft and abuse of large machinery and trailers as well as gear. It may also act as a deterrent from any abusive behavior with turnout gear or SCBA gear which could be tampered with.

Recommendation 8:

IA recommends the best location for the logistics warehouse is at the Fire & Safety Administration campus location off of Reich's Ford Road. We recommend for efficiency and proper management that all warehouse items remain in one location rather than splitting them. This allows DFRS to employ just one warehouse manager rather than multiple managers overseeing separate buildings/locations and streamlines the work and workers ability to work on other warehouse functions when time allows. This serves as not only a productivity efficiency but also an oversight efficiency and effective measure as well.

Recommendation 9:

IA recommends that the warehouse inventory gear on an annual basis and verify that the inventory counts reconcile to the inventory system to ensure proper reporting.

Recommendation 10:

IA recommends that DFRS work to ensure there is adequate segregation of duties among individuals who:

- a. Initiate inventory purchases
- b. Authorize inventory purchases
- c. Verify & process the receipt of inventory
- d. Record inventory transactions
- e. Have responsibility for inventory counts
- f. Investigate inventory count discrepancies.
- g. Maintain inventory records

These are general functions and may be lumped together between 2 or 3 individuals given that the risk of theft or abuse with turnout gear is lower than inventory of a high value which is easily moveable or sold on the open market.

Recommendation 11:

IA recommends that the DFRS Finance Manager and Operations Supply Manager review and question large purchases at the end of fiscal years which may be unnecessarily stocking up inventory of uniforms and gear.

Recommendation 12:

IA recommends that management ensure proper and actual pricing is held within the inventory system so that an accurate value can be placed on items held in the warehouse at any given time.

Station Observations:

- IA found expired gear out at stations during the station visits. Most of the outdated gear was volunteer gear and not career personnel gear. All volunteer gear had not been captured at the time of this report due to the fact that many volunteers keep their gear with them rather than held at stations. Total outdated gear viewed during the station visits was \$144,400 of which \$141,200 was volunteer gear and \$3,200 was career gear (which consisted of all helmets).
- During the station visits IA noted that a lot of the gear was dated 2007. With an abundance of 2007 gear out in service budget concerns are raised as this gear is set to expire in less than 3 years. IA noted that \$533,600 worth of 2007 gear was out in service during station visits of which \$303,200 was volunteer gear captured at the stations and \$230,400 was career personnel gear. All career gear was captured during the station visits, however volunteer gear was not all captured and more volunteer gear could be dated 2007.
- IA noted that DFRS currently has no policy on who is able to obtain County owned gear outside of career personnel.
- Some stations keep an ongoing inventory listing of gear to track their personnel however not all stations utilized a tracking system and the tracking system was not consistent among stations.
- Old and outdated gear was noted at most stations. Some outdated gear was being utilized for training purposes, at other times an abundance of outdated gear not assigned or assigned to individuals that had not been seen in a number of years.
- During the station visits and data analysis IA noted that it does not appear DFRS has a current record of all active and tested volunteers per station.
- During the station visits IA also inventoried County owned and company/station owned apparatus and vehicles. The current listings held by DFRS and fleet services were not up to date and current.
- IA noted that DFRS does not track portable and mobile radios on an on-going and updated basis.

Station Recommendations:

Recommendation 1:

IA understands that DFRS does not currently have a policy on who is considered an active volunteer and volunteers no longer running calls or unable due to not being current on physical tests. IA recommends that DFRS write a policy to cover volunteers eligible to obtain gear. Once a policy is set IA recommends that volunteers not adhering to the policy not be provided with County owned gear until they are considered active. Having this policy in place would help maintain gear costs at an acceptable level.

Recommendation 2:

IA recommends that DFRS maintain a tracking form for active volunteers as discussed in recommendation 1. This tracking form should be reviewed and updated at least on an annual basis if not more often.

Recommendation 3:

IA recommends that stations turn in old County outdated gear to be disposed of and that anyone utilizing outdated gear trade in their gear for current gear, as long as they are considered active as discussed in recommendation 1. It was noted that some stations kept a few sets of old gear for training activities which is understandable.

Recommendation 4:

Due to the volume of 2007 gear out in the field it is heavily recommended that DFRS begin switching out this gear now and up until 2017 in order to spread the costs among fiscal years so that the DFRS will not have to incur one large turnout gear expense in 2016.

Recommendation 5:

It is recommended that on an annual basis DFRS work with the stations to keep up an inventory listing of volunteers and career personnel assigned to each station and their gear as issued. The format for review and update of an annual inventory of gear should be set consistently among all stations. From time to time volunteers and career personnel can go to the logistics warehouse on their own to swap out gear and changes are not always noted by the stations or DFRS. An updated real time live inventory tracking system could perform this task for DFRS.

Recommendation 6:

It is recommended that DFRS use an asset tracking system to track the movement of apparatus at and in between stations. Reserve units can take the place of active apparatus when being serviced. This system should also track vehicles and apparatus (including trailers) insured by the County yet station/corporation owned.

Recommendation 7:

IA recommends that DFRS inventory the asset listing on an annual basis to ensure that the listing is updated and accurate. During this inventory process DFRS should ensure that its listing is comparable to the County risk management department listing, the County finance department's asset depreciation listing and the fleet services division listing. This inventory and data comparison on a regular basis will ensure that proper communication and controls are in place over asset tracking.

Recommendation 8:

IA recommends that DFRS set up a tracking system and annual inventory of portable and mobile radios within the division and at each station. A tracking mechanism will allow DFRS to understand where these assets are located as well as the needs based on utilization for future budgetary and operational purposes.

Deliverables

As a result of this special project IA has provided specific schedules and data to DFRS. Those schedules include the following:

- Station gear and radio listing excel workbooks: A workbook for each station which includes a worksheet listing of gear found at each station by personnel and a worksheet listing of radios found at each station.
- Outdated 2007 gear excel workbook: A workbook which includes the data found on outdated gear and 2007 gear inventoried at the stations.
- Apparatus & vehicle listing excel workbook: A workbook which includes a station by station listing of apparatus and vehicles both County and station/corporation owned viewed during the special project.

DFRS should consider each of the above stated recommendations seriously and determine a course of action for correction if agreed upon. IA will be available to assist with the review and recommendation in formulating above needed policies and procedures.

During this analysis and investigation it was a pleasure to work with all of the DFRS personnel and I appreciated their full cooperation and assistance with the support and information required to perform the necessary work. The work performed under this special project was not performed in accordance with Generally Accepted Government Auditing Standards and is considered a non-audit service.

Please let me know if you have any questions or concerns as it relates to this special project I will be happy to assist in any way that I can.

Pc: Dawn Reed, Administrative Coordinator, Internal Audit
Michael Grierson, Deputy Chief Logistics, DFRS
Allen Keyser, Deputy Chief Operations, DFRS
Bob Baker, Finance Manager, DFRS
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