



Fairfax County Internal Audit Office

Fairfax County Police Department
Quartermaster Inventory Audit
Final Report

January 2019

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Executive Summary

The Fairfax County Police Department (FCPD) Quartermaster oversees and manages the inventory of FCPD uniforms, badges and personal equipment. The value of inventory is estimated to be between \$1M to \$1.5 M. QuickBooks is the Quartermaster's primary inventory management system; however, Quartermaster also utilizes Excel spreadsheets and maintains some inventory manually to keep track of its inventory. FCPD Quartermaster is overseen by the Resource Management Bureau of FCPD.

This audit reviewed the following areas:

- the accuracy, efficiency and effectiveness of FCPD Quartermaster's inventory processes;
- internal controls to ensure inventory management processes and standards were fully established, monitored, and documented;
- controls in place to ensure their uniforms and equipment acquisitions were proper; and,
- inventory was managed and safeguarded against unauthorized physical access.

While the audit did not find fraudulent activities, we found that the internal controls over the inventory management process were not adequate and noted the following exceptions where compliance and controls should be strengthened:

- The current inventory management system used by FCPD Quartermaster did not record all inventory purchases.
- FCPD Quartermaster policies and procedures had not been updated since July 2008 and did not reflect the current operations pertaining to ordering, approving, receiving, distributing, and reconciling inventory items in detail.
- FCPD Quartermaster's last complete inventory count was performed in summer 2014.
- FCPD Quartermaster did not have a formal, documented process for granting, removing, and monitoring physical access to the inventory floor. In addition, our review of the Quartermaster shop access report found a number of employees who had more than one active access device assigned to them. We also noted six generic access cards that were issued to Internal Affairs Bureau under the name "Internal Affairs" or "Temporary".
- The four security cameras placed in the corners of the Quartermaster shop were not positioned to capture sensitive inventory items such as the badges, which were kept in unlocked drawers.
- FCPD Quartermaster did not maintain a complete log of issued items nor did it require the officers to obtain their supervisor's approval prior to forwarding the order request form to Quartermaster for process.
- FCPD Quartermaster did not have a mechanism to keep track of when loaner items were due for return or who logged/received the items when they were checked out/in.

Scope and Objectives

This audit was performed as part of our fiscal year 2018 Annual Audit Plan and was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our audit objectives were to determine whether:

- Adequate controls were in place over the Quartermaster inventory management including proper planning, organizing, controlling, directing, training and communicating.
- Documented policies and procedures existed to effectively safeguard and manage inventory items.
- Controls were in place to properly record items in the inventory management system and inventory items were properly marked or tagged for identification.
- Adequate controls were in place for access to the inventory management system.
- Controls over the physical security and accountability of items was proper to prevent unauthorized access, inappropriate removal, or physical deterioration.
- Controls were in place to periodically complete full inventories of supplies and equipment; reconcile physical and electronic inventory counts for accuracy; and detect theft, loss, or damage.
- Accurate and reliable documentation was maintained to support the purchase, receipt, disposal, and write-off of items.
- Adequate separation of duties existed between the receiving and recording functions.
- Adequate controls existed to monitor any unnecessary purchases of items resulting in waste of county funds.

Methodology

Our audit approach included reviews of the related policies and procedures, walk-throughs, and interviews of appropriate staff to determine whether the FCPD Quartermaster had adequate controls over purchasing, safeguarding and managing of its inventory. Due to Quartermaster's inability to produce a full inventory report, we were unable to perform physical inventory checks; however, we reviewed the documentation for open-ended purchase orders, non-purchase orders, p-card purchases, and list of authorized personnel that had access to the Quartermaster shop. We also evaluated the processes for compliance with sound internal controls as well as county and departmental policies and procedures.

The Fairfax County Internal Audit Office (IAO) is free from organizational impairments to independence in our reporting as defined by Government Auditing Standards. We report directly and are accountable to the County Executive. Organizationally, we are outside

the staff or line management function of the units that we audit. We report the results of our audits to the County Executive and the Board of Supervisors.

Findings, Recommendations, and Management Response

1. Inventory Management System

The current inventory management system used by FCPD Quartermaster did not record all inventory purchases. Additionally, functionality necessary for adequate inventory internal controls was not utilized in the inventory system. The Quartermaster used QuickBooks to record only open-ended purchase order (PO) inventory. The system did not record p-card (used mainly for supplies such as hand sanitizers, etc.) and Non-PO inventory purchases. Per the staff, QuickBooks had the function to record issued items; however, Quartermaster did not utilize that function.

FCPD Quartermaster should have an inventory management system that can record all inventory purchases, and utilize available and applicable functions that QuickBooks offers such as inventory value, inventory on hand, inventory purchases, issued and returned, loaned, stolen/lost inventory, and disposed inventory.

Failure to maintain an inventory management system that maintains complete and accurate records of inventory increases the risk of product shortages, overstocking, inventory loss, theft, and fraud.

Recommendation: We recommend FCPD Quartermaster utilize an inventory management system that records and tracks all inventory items that are purchased, issued, loaned, stolen/lost, and disposed.

Management Response: The QueTel Quartermaster inventory product has been purchased and is awaiting immediate implementation. The Quartermaster will have the ability to track inventory levels to monitor for under- and overstock items, and will be able to track inventory from the time it is purchased, put into our stock, issued to an employee, and recovered and/or destroyed. Additionally, we plan to implement more rigid employee accountability standards when the software goes live, accounting for items more effectively to prevent waste and to increase efficiency and accountability. The anticipated completion date is February 27, 2019.

2. Quartermaster Policies and Procedures

FCPD Quartermaster's policies and procedures had not been updated since July 2008, and did not reflect the current operations pertaining to ordering, approving, receiving, distributing, and reconciling inventory items in detail.

FCPD Quartermaster policies and procedures should address current operations; clearly explain individuals' roles and responsibilities; and comply with the Procurement Technical Bulletin (PTB) 12-06, *Consumable Inventory Guide*. The policy and procedures should also address the separation of duties to ensure that individual responsibilities are appropriate to prevent unauthorized or fraudulent activities.

Following outdated policies and procedures that may not reflect actual operations or current roles and responsibilities could decrease the effectiveness of internal controls over managing inventory items and increase the risks of unauthorized/fraudulent activities as well as waste and loss of county money.

Recommendation: We recommend the FCPD Quartermaster staff review and update their inventory management policies and procedures to reflect actual operations and activities and address current roles and responsibilities of the Quartermaster staff. In addition, the updated policies and procedures should be approved by the Department of Procurement and Material Management (DPMM) and communicated to Quartermaster staff in a timely manner.

Management Response: The "Police Uniform Guide" from July 2008 is outdated, but for the most part, it is still accurate. This is the document that itemizes what each officer in a given position (K9, NPU, etc.) should be issued. The Quartermaster staff is currently updating this document to include the internal procedures portion. The procedures will be updated to reflect the implementation of our new QueTel Quartermaster Inventory program. SOP 04-002 revisions were submitted in June of 2018 and are currently with the Planning and Research Bureau for final review and approval. The anticipated completion date is February 27, 2019.

3. Complete Annual Inventory Count

Per the FCPD Quartermaster staff, the last complete inventory count for Quartermaster was performed in summer 2014. PTB 12-06, *Consumable Inventory Guide*, requires agencies to conduct full inventory count at least once per year.

Failure to conduct a complete inventory count on an annual basis could result in having an inaccurate listing of the inventory. In addition, errors and discrepancies may occur and remain undetected in a timely manner. This decreases accountability for inventory items increasing the risk of loss or theft.

Recommendation: We recommend FCPD Quartermaster conduct a complete inventory count on an annual basis. We also recommend FCPD Quartermaster include in its Standard Operating Procedure (SOP) the requirement that a complete inventory be taken annually. Additionally, the agency should maintain the documentation to evidence that the inventory count was conducted, who performed it and the date it was completed. Finally, the inventory count should be reconciled to total inventory reports produced by their inventory system with variances being researched and resolved.

Management Response: We are planning to shut down the Quartermaster section in the near future to conduct a full inventory. This will coincide with the launch of QueTel, which will need an accurate inventory when it goes live. Preparation for that audit has already started. We will ensure that annual, and spot check audits are conducted and written into our policy and become part of our Quartermaster's culture. The anticipated completion date is February 27, 2019.

4. Quartermaster Shop Physical Access

FCPD Quartermaster did not have a formal, documented process for granting, removing, and monitoring physical access to the location where inventory was stored. While there was an understanding that the Quartermaster supervisor or the Logistics Division Director should approve new user's access, it was not always documented or documentation of the approval was not maintained on file. Per discussion with staff, the Quartermaster supervisor sent emails to FCPD facility personnel requesting granting and removing access to the shop.

In addition, our review of the Quartermaster shop's access report found a number of employees who had more than one active security access devices assigned to them. Finally, we noted six generic access cards that were issued to Internal Affairs Bureau under the name "Internal Affairs" or "Temporary".

Lack of an effective and formal process for granting and removing physical access to the shop increases the risk of unauthorized access to the shop by individuals who could steal or damage inventory items.

Duplicate access devices represent a security risk since they could be forgotten and left undetected when employees leave the organization or when employees do not report a lost device. These forgotten or lost cards/key fobs, and access wristbands could be points of entry to gain unauthorized access to the Quartermaster shop. Inconsistent methods of granting access could also decrease the accountability and the ability of identifying who accessed the shop and when it was accessed.

Finally, generic access cards limit the ability to assign accountability for actions taken by the users, identify the actual user, track user access, and trace unauthorized activity. *Information Technology Security Policy*, Procedural Memorandum 70-05, Section 3.5.2 - Account Administration states that "...Users shall be assigned a unique account and user ID. Credentials shall not be shared or written down". The use of generic access cards reduces accountability in case of misuse or inventory theft and increases the risk of unauthorized access compromising security.

Recommendation: We recommend FCPD Quartermaster staff develop and implement a formal, documented process for granting, removing, and monitoring access to the shop. In addition, we recommend FCPD periodically review the user's access report for appropriateness. The review should be performed, at a minimum, upon Quartermaster staff's termination or transfer. Furthermore, FCPD Quartermaster should disallow the use of generic proxy cards, disable the current generic access cards, and create unique identification as needed. FCPD Quartermaster should

minimize the use of multiple active devices. If multiple devices are needed for operational purposes, FCPD Quartermaster should require a documented business justification and have internal controls to properly account for each device at all times.

Management Response: Only Quartermaster staff, Internal Affairs – Investigations Personnel, RMB Commanders, Deputy Chiefs, and the Chief have access to the Quartermaster Suite. The use of multiple active (proxy) devices is an FCPD business process that cannot be controlled by the Quartermaster; however, access is very restricted. No unauthorized personnel have access to the Quartermaster Suite, and when someone resigns or is transferred, we immediately revoke their access to the section. The five temporary Internal Affairs Cards were removed; however, the “Internal Affairs Commander” card and the “SOD Commander” card remain active in the system. These two cards are under the control of those two commanders, and are under lock and key for exigent circumstances and emergencies. Multiple access devices issued to authorized personnel will be limited to a single account for that person, rather than granting a separate account for each device. The anticipated completion date is December 31, 2018.

Note : During the review of the Quartermaster shop’s most recent access report, IAO noted that some of the generic proxy cards were deleted and there were only three remaining generic proxy cards for the Internal Affairs Bureau (IA) and Special Operations Division (SOD). According to the Quartermaster supervisor, the IA and SOD commanders were the only individuals who had those respective cards. Per staff, they had their own internal process to keep track of who was in possession of the card. No follow-up on the generic access cards finding is needed.

5. Quartermaster Physical Security

Sensitive inventory items such as the badges were kept in unlocked drawers and out of view from the four security cameras placed in the corners of the Quartermaster shop. Security cameras are used to monitor inventory, traffic and employee activities. Therefore, they should be positioned to capture all high risk activities within the shop. According to Procurement Technical Bulletin (PTB) Reference Handbook 12-06, *Consumable Inventory Management*, “Using good warehousing and inventory management practices to include among other things: cycle counts, periodic spot checks, physical security and good housekeeping.”

Failure to adequately safeguard high risk inventory items such as badges could increase the risk of theft and loss of these items. In addition, high risk inventory items should be kept in locked, secure drawers/file cabinets.

Recommendation: We recommend FCPD Quartermaster position cameras in locations where they can capture activities related to sensitive and high dollar value items. In addition, FCPD should ensure these high value/risk items are safeguarded against theft and misuse by installing locks on the drawers where the items are stored.

Management Response: We have submitted a work order with FMD to move one camera to cover the areas identified in the audit. The badge drawer was moved to be within view of a camera, and we have requested that FMD install locks on drawers containing badges. The anticipated completion date is December 31, 2018.

Note : IAO verified that FCPD Quartermaster had moved the badges to where the camera was positioned and in view of the Quartermaster supervisor. However, the badges were still kept in unlocked drawers. Per Quartermaster supervisor, installing a lock would require customization, which incurred additional expenses to the shop.

6. Accountability for Items Issued to FCPD Officers

The Quartermaster did not maintain records of all items issued to each officer. Additionally, the Quartermaster did not require the officer's immediate supervisor to review and approve their order request forms prior to forwarding them to the Quartermaster for processing.

Finally, employees requesting replacements for used items were not always required to return the used item before receiving the new one. The replacement items were not all recorded in QuickBooks. Therefore, the Quartermaster was not able to verify that all used items were returned by reconciling the replacement items to the returned receipts scanned into QuickBooks.

According to the Quartermaster Policy and Procedures, "Once an employee receives the new item they are required to return the old item to the Uniform Section as soon as practical. Drop points have been placed at most major police facilities to make this process more convenient for the employees in the field."

Not tracking inventory items issued to an employee nor performing a reconciliation of the returned items to the issued replacement items could increase the risks that employees request more items than necessary which would result in waste of the County funds. In addition, used items such as uniforms and badges could get lost and misused by unauthorized personnel if they are not properly tracked and disposed.

Recommendation: We recommend the Quartermaster track all items issued to officers in QuickBooks and reconcile their replacement items to their returned items in QuickBooks within a reasonable time after the returned items are received. Officers requesting excessive items above their normal allowances should be required to provide a business justification and supervisory approval. Additionally, employees who fail to return items should be required to provide an explanation for the lost items that is signed by their supervisor.

Management Response: See comments on QueTel Quartermaster software. With its implementation, we will greatly improve our ability to track inventory items. The Quartermaster only issues items to employees consistent with what they are allowed by position, and the QueTel Quartermaster Program will allow us to ensure they are returning unserviceable items when they are being replaced with new items. We are developing better processes to account for uniform items turned in from remote

locations, and plan to add a workflow which will allow supervisors the ability to sign off on gear turned in at the remote locations. All officers will be held to their standard allowable inventory unless a business justification is made and supervisory approval is obtained. The anticipated completion date is February 27, 2019.

7. Loaner items

FCPD Quartermaster did not have a mechanism to keep track of when the loaner items were due to return or who issued/collected the items when they were checked out/in. Loaner items such as jackets, vests, and body armors that are suitable for reissue were manually entered in the loaner items log at the front counter of the Quartermaster shop and crossed out when they were returned. The existing loaner items log used by Quartermaster staff included employee name, employee number, check out date, station, and item(s) checked out; however, the log did not capture the information on when the item was due to return and who received the item when it was returned to the shop.

A mechanism should be in place to keep track of loaner items check in/out process to ensure items are returned to the Quartermaster shop in a timely manner. The log should capture additional information such as signatures of the authorized personnel who logged in and crossed out when the item was returned to the shop, and appropriate due dates for the loaner items.

Insufficient, ineffective management of loaner items increases the risks of mismanagement and loss of items which could result in waste of the County funds.

Recommendation: We recommend FCPD Quartermaster modify the current loaner items log to capture the due date for the loaner items and the signature of the authorized personnel who issued the item and received it when it was returned. In addition, the Quartermaster personnel should follow up on the status of the items that have not been returned to the shop on time.

Management Response: The loaner logs were modified to capture the issue date, due date and signature of personnel who issued/collected the loaned item. Additionally, in QueTel, loaner items will be serialized and will be issued to employees and placed on their inventory to ensure accountability. The completion date is November 27, 2018.