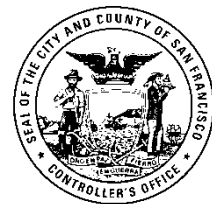


### **CITYWIDE INVENTORY AUDITS:**

**Fiscal Year 2013-14 Combined  
Report: Departments Need to  
Improve Their Internal Inventory  
Processes and Controls**



*October 2, 2014*

**OFFICE OF THE CONTROLLER  
CITY SERVICES AUDITOR**

The City Services Auditor Division (CSA) was created in the Office of the Controller through an amendment to the Charter of the City and County of San Francisco (City) that was approved by voters in November 2003. Charter Appendix F grants CSA broad authority to:

- Report on the level and effectiveness of San Francisco's public services and benchmark the City to other public agencies and jurisdictions.
- Conduct financial and performance audits of city departments, contractors, and functions to assess efficiency and effectiveness of processes and services.
- Operate a whistleblower hotline and Web site and investigate reports of waste, fraud, and abuse of city resources.
- Ensure the financial integrity and improve the overall performance and efficiency of city government.

CSA may conduct financial audits, attestation engagements, and performance audits. Financial audits address the financial integrity of both city departments and contractors and provide reasonable assurance about whether financial statements are presented fairly in all material aspects in conformity with generally accepted accounting principles. Attestation engagements examine, review, or perform procedures on a broad range of subjects such as internal controls; compliance with requirements of specified laws, regulations, rules, contracts, or grants; and the reliability of performance measures. Performance audits focus primarily on assessment of city services and processes, providing recommendations to improve department operations.

CSA conducts audits in accordance with the Government Auditing Standards published by the U.S. Government Accountability Office. These standards require:

- Independence of audit staff and the audit organization.
- Objectivity of the auditors performing the work.
- Competent staff, including continuing professional education.
- Quality control procedures to provide reasonable assurance of compliance with the auditing standards.

For questions regarding the report, please contact Director of City Audits Tonia Lediju at [Tonia.Lediju@sfgov.org](mailto:Tonia.Lediju@sfgov.org) or 415-554-5393 or CSA at 415-554-7469.

Audit Team: Irella Blackwood, Lead Audit Manager  
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Jenny Lee, Staff Auditor  
Joseph Towner, Staff Auditor



# City and County of San Francisco

## Office of the Controller - City Services Auditor

**Citywide Inventory Audits:  
Combined Report, Fiscal Year 2013-14**

**October 2, 2014**

### **Purpose of the Audit**

In fiscal year 2013-14 the City Services Auditor Division (CSA) of the Office of the Controller (Controller) audited the adequacy of the inventory processes and controls of two divisions of the Department of Public Health (Public Health) and the Port Commission (Port). The total audited inventory was worth \$2.1 million. The audits assessed whether the departments had adequate inventory processes and controls to ensure that materials and supplies are accurately accounted for, adequately organized, and properly secured, and that inventory purchase orders were approved properly and recorded accurately and in a timely manner. This is the first combined report summarizing a series of planned inventory audits that CSA will perform on selected city departments.

### **Highlights**

The inventory and materials management processes of the audited city departments need improvement. The two divisions of Public Health, San Francisco General Hospital and Trauma Center and Laguna Honda Hospital and Rehabilitation Center, need major improvements and the Port needs some improvement to lessen the risks associated with inventory. Also, the Controller's Accounting Operations and Systems Division (AOSD) lacks inventory control guidelines to direct departments in inventory management.

The audits resulted in ten overarching findings, each one applying to at least one department or division:

- Citywide inventory control guidelines do not exist.
- Inventory on hand does not match system records.
- Inventory categorization needs periodic review.
- Automated inventory ordering is not used.
- Incompatible duties are not always segregated and discrepancies in cycle counts are not reconciled.
- Inventory items do not always have the correct value.
- Inventory items are not always adequately safeguarded against access by unauthorized persons.
- Purchasing documents and inventory items are not properly reviewed.
- Policies and procedures are not always followed.
- No written policies and procedures exist.

### **Recommendations**

This report includes one recommendation for AOSD to provide inventory control guidelines to city departments and 17 overarching recommendations for Public Health and the Port to improve their controls over inventory management. They include:

- Document and implement citywide inventory guidelines.
- Ensure that system records accurately reflect inventory on hand.
- Segregate physical custody, processing, recording, and transaction approval responsibilities.
- Value inventory consistently and in accordance with accounting policies.
- Pay invoices within 30 days and retain documents for at least five years.
- Adhere to all policies and procedures.
- Establish written inventory policies and procedures.

*Copies of the full report may be obtained at:*

Office of the Controller • City Hall, Room 316 • 1 Dr. Carlton B. Goodlett Place • San Francisco, CA 94102 • 415.554.7500  
or on the Internet at <http://www.sfgov.org/controller>

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**CITY AND COUNTY OF SAN FRANCISCO**  
**OFFICE OF THE CONTROLLER**

**Ben Rosenfield**  
**Controller**

**Monique Zmuda**  
**Deputy Controller**

October 2, 2014

Health Commission  
101 Grove Street, Room 311  
San Francisco, CA 94102

Port Commission  
Pier 1, The Embarcadero  
San Francisco, CA 94111

Ms. Barbara A. Garcia  
Director of Health  
Department of Public Health  
101 Grove Street, Room 308  
San Francisco, CA 94102

Ms. Monique Moyer  
Executive Director  
Port of San Francisco  
Pier 1, The Embarcadero  
San Francisco, CA 94111

Ms. Mary Fitzpatrick  
Director  
Accounting Operations and Systems Division  
Office of the Controller  
1 Dr. Carlton B. Goodlett Place, 4<sup>th</sup> Floor  
San Francisco, CA 94102

Dear Commission Presidents and Members, Ms. Garcia, Ms. Moyer, and Ms. Fitzpatrick:

The City Services Auditor Division (CSA) of the Office of the Controller (Controller) presents the combined report of its citywide inventory audits for fiscal year 2013-14. CSA audited two divisions of the Department of Public Health, San Francisco General Hospital and Trauma Center and Laguna Honda Hospital and Rehabilitation Center, and the Port Commission (Port). CSA used a risk-based approach to select the areas to audit, which were identified by CSA.

The audits' objectives were to assess whether the departments had adequate inventory processes and controls to ensure that materials and supplies are accurately accounted for, adequately organized, and properly secured, and that inventory purchase orders were approved properly and recorded accurately and in a timely manner.

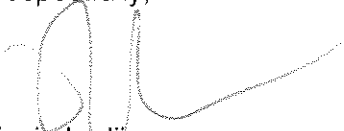
The audits concluded that both hospitals need major improvements and the Port needs some improvement to lessen the risks associated with inventory. Also, the Controller's Accounting Operations and Systems Division (AOSD) has not issued inventory guidelines to direct departments in inventory management.

The three audit reports include a total of 60 recommendations, which this report has reduced to 17 overarching recommendations. AOSD's response and the links to the individual reports, including findings, recommendations, and department

responses, are attached as appendices. CSA is working with the departments to follow up on the status of the recommendations made in these reports.

CSA appreciates the assistance and cooperation of all of your staffs during the audits. For questions about the report, please contact me at [Tonia.Lediju@sfgov.org](mailto:Tonia.Lediju@sfgov.org) or 415-554-5393 or CSA at 415-554-7469.

Respectfully,

A handwritten signature in black ink, appearing to read 'Tonia Lediju', with a long, sweeping horizontal stroke extending to the right.

Tonia Lediju  
Director of City Audits

cc: Board of Supervisors  
Budget Analyst  
Citizens Audit Review Board  
City Attorney  
Civil Grand Jury  
Mayor  
Public Library

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# GLOSSARY OF TERMS

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|                                   |  |
|-----------------------------------|--|
| AOSD                              | Accounting Operations and Systems Division of the Office of the Controller   |
| City                              | City and County of San Francisco   |
| Controller                        | Office of the Controller   |
| CSA                               | City Services Auditor Division of the Office of the Controller   |
| departments                       | Port Commission and Department of Public Health  |
| divisions                         | San Francisco General Hospital and Trauma Center and Laguna Honda Hospital and Rehabilitation Center   |
| enterprise department or division | Airport Commission, San Francisco Water Enterprise, Hetch Hetchy Water and Power, Municipal Transportation Agency, San Francisco General Hospital and Trauma Center, San Francisco Wastewater Enterprise, Port of San Francisco, and the Laguna Honda Hospital and Rehabilitation Center.  |
| enterprise fund                   | Used to report the same functions presented as business-type activities in the government-wide financial statements.   |
| GAO                               | United States Government Accountability Office   |
| General Hospital                  | San Francisco General Hospital and Trauma Center   |
| Laguna Honda Hospital             | Laguna Honda Hospital and Rehabilitation Center  |
| Oracle                            | Oracle Enterprise Asset Management System, the asset management system the Port uses to monitor inventory levels and order materials from contracted vendors.  |
| Pathways                          | Pathways Materials Management <sup>TM</sup> (PMM) is the system used by the Department of Public Health's hospitals to monitor inventory levels. PMM is part of McKesson Corporation's enterprise resource planning system.  |
| Port Commission                   | <p>The Port Commission, which is an enterprise department of the City and County of San Francisco and governs the Port of San Francisco.</p> <p>The Port Commission has the complete and exclusive authority to manage, regulate, and control the harbor of San Francisco and to do all things it deems necessary in connection with the use, conduct, operation, management, maintenance, regulation, improvement and control of Port property.</p> |
| Public Health                     | Department of Public Health  |



# INTRODUCTION

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## **Audit Authority**

The three audits summarized in this report were conducted under the authority of the Charter of the City and County of San Francisco (City), Section 3.105 and Appendix F, which requires that the City Services Auditor Division (CSA) of the Office of the Controller (Controller) conduct periodic, comprehensive financial and performance audits of city departments, services, and activities. The audits summarized in this report are part of a series of inventory audits performed by the Controller of various city departments.

## **Purpose of the Combined Report**

The purpose of this combined inventory audit report is to summarize the findings and recommendations of the three departments or divisions audited during fiscal year 2013-14. The overarching findings and recommendations provide opportunities to improve inventory processes and strengthen controls and oversight across the city departments with inventory and materials management roles and responsibilities.

The three audit reports include a total of 60 recommendations, which this report has reduced to 17 overarching recommendations. City departments that were not audited can implement these recommendations, where applicable, to improve their inventory management processes and controls and to ensure effective and efficient management of inventory. Links to the individual reports, which include all of the findings and recommendations and the departments' responses, are attached as appendix B.

CSA follows up on the recommendations in all of its issued reports to determine whether corrective actions have been taken.

## **Background**

The inventory assets in the City's fiscal year 2012-13 Comprehensive Annual Financial Report had a value of \$78.2 million, which was 3 percent of the value of the total current assets for the year of \$2.7 billion.

Exhibit 1 shows the City's inventory values, by enterprise department or division (referred to as departments), on June 30, 2013.<sup>1</sup>

| <b>EXHIBIT 1    City and County of San Francisco Enterprise Funds' Inventory Values on June 30, 2013</b> |                                |
|--|--------------------------------|
| Department/Division  | Inventory Value (in Thousands) |
| San Francisco Municipal Transportation Agency  | \$56,986                       |
| San Francisco General Hospital and Trauma Center (Public Health)   | 7,727                          |
| Water Enterprise (Public Utilities Commission)   | 7,564                          |
| Wastewater Enterprise (Public Utilities Commission)  | 3,202                          |
| Port Commission/Port of San Francisco  | 1,192                          |
| Laguna Honda Hospital and Rehabilitation Center (Public Health)  | 1,131                          |
| Hetch Hetchy Water and Power (Public Utilities Commission)   | 336                            |
| Airport Commission   | 87                             |
| <b>TOTAL</b>   | <b>\$78,225</b>                |

Source: City's Comprehensive Annual Financial Report for fiscal year 2012-13

CSA selected three departments or divisions, General Hospital, Laguna Honda Hospital, and the Port, to audit using a risk-based approach.

*Inventory locations selected for audit.*

The selected departments store their inventory in different locations. General Hospital classifies its inventory among eight departments/categories. Laguna Honda Hospital stores most of its inventory in five departments. The Port stores most of its inventory at four piers.

CSA selected the following departments' locations to audit:

- General Hospital's Main Storeroom location managed by the Materials Management Department
- Laguna Honda Hospital's Central Supply Department
- The Port's piers 50, 70, and 80<sup>2</sup>

<sup>1</sup> Enterprise funds are used to account for services for which the City charges customers and the departments function as a business-type activity.

Exhibit 2 shows CSA's selection of audited departments' inventory location and total inventory value.

| <b>EXHIBIT 2    CSA Selection of Departments' Inventory Location and Value</b> |                                   |                        |                                  |   |
|--|-----------------------------------|------------------------|----------------------------------|---|
| Department/Division  | Inventory Value<br>(in Thousands) | Number of<br>Locations | Number of<br>Tested<br>Locations | Total Inventory<br>Value of Selected<br>Location(s) (in<br>Thousands) |
| San Francisco General<br>Hospital and Trauma<br>Center (Public Health)         | \$7,727                           | 8                      | 1                                | \$620   |
| Laguna Honda Hospital and<br>Rehabilitation Center<br>(Public Health)          | 1,131                             | 5                      | 1                                | 176   |
| Port Commission/Port of<br>San Francisco                                       | 1,362                             | 4                      | 3                                | 1,353   |
| <b>TOTAL</b>   | <b>\$10,220</b>                   | <b>17</b>              | <b>5</b>                         | <b>\$2,149</b>  |

Sources: City's Comprehensive Annual Financial Report for fiscal year 2012-13; auditor's analysis based on data from General Hospital's Materials Management; Laguna Honda Accounting/Finance Division; Oracle Inventory Report data provided by the Port.

*Overview of the City's  
recording of inventory.*

The City had \$78.2 million of inventory as of June 30, 2013. Inventory items recorded in the proprietary funds<sup>3</sup> considered partly by the three audits summarized in this report primarily consist of construction materials and maintenance supplies and medical supplies maintained by the hospitals.

*Inventory systems used.*

The City does not have a single inventory system. Departments are using various software management systems to manage their inventory.

General Hospital and Laguna Honda Hospital uses Pathways Materials Management System (Pathways) to monitor inventory levels and to order inventory from contracted vendors. The Port uses the Oracle Enterprise Asset Management system (Oracle) to monitor inventory

<sup>2</sup> The Port inventory audit is the third in a series of inventory audits planned in the Controller's annual work plan for fiscal year 2013-14. The audit began in January 2013 and the report was issued on August 5, 2014.

<sup>3</sup> Generally, proprietary funds (enterprise funds and internal service funds) value inventory at cost or average cost and expense supply inventory as it is consumed. The governmental fund types use the purchase method to account for supply inventories, which are immaterial. This method records items as expenditures when they are acquired. And internal service funds are used to report activities that provide supplies and services for certain City programs and activities.

levels of its divisions' supplies and to reorder supplies when inventory levels fall to minimum levels.

## Audit Criteria

CSA used the following guides and best practices manual during the inventory audits:

- U.S. Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government*<sup>4</sup>
- GAO *Executive Guide: Best Practices in Achieving Consistent, Accurate Physical Counts of Inventory and Related Property* (GAO Guide)<sup>5</sup>
- Governmental Accounting Standard Series Statement No. 62 of the Governmental Accounting Standards Board<sup>6</sup>
- *Inventory Best Practices*<sup>7</sup>

## Objectives

The objectives of the audits were to determine whether the departments have:

1. Adequate inventory processes and controls to ensure that materials and supplies are accurately accounted for.
2. Adequately organized and properly secured all materials and supplies.
3. Approved and recorded inventory purchase orders accurately and in a timely manner.

## Scope and Methodology

The audit period for the General Hospital and Laguna Honda Hospital audits was July 1, 2012, through June 30, 2013. The audit period for the Port audit was July 1, 2013, through January 31, 2014. The methodologies used in each audit are shown in Exhibit 3.

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<sup>4</sup> *Standards for Internal Control in the Federal Government*, United States General Accounting Office (now Government Accountability Office), November 1999, <http://www.gao.gov>.

<sup>5</sup> *Executive Guide: Best Practices in Achieving Consistent, Accurate Physical Counts of Inventory and Related Property* (GAO-02-447G), United States General Accountability Office, March 2002, <http://www.gao.gov>

<sup>6</sup> Governmental Accounting Standards Board (GASB), Governmental Accounting Standards Series, Statement No. 62, paragraphs 188-201, sets forth the general principles applicable to the pricing of inventories of business-type activities. GASB is the independent organization that establishes and improves standards of accounting and financial reporting for U.S. state and local governments.

<sup>7</sup> Bragg, Steven M., *Inventory Best Practices*, John Wiley & Sons, Inc., Hoboken, New Jersey, 2004.

### EXHIBIT 3      Audit Methodologies Used

| To conduct the audits, the audit team:  | DEPARTMENT       |                       |      |
|---|------------------|-----------------------|------|
|   | General Hospital | Laguna Honda Hospital | Port |
| Interviewed staff and manager to gain an understanding of inventory processes   | ✓                | ✓                     | ✓    |
| Inspected inventory facilities  | ✓                | ✓                     | ✓    |
| Selected a purposeful sample of inventory items from the inventory list   | ✓                | ✓                     | ✓    |
| Number of inventory items verified on hand:   | 24               | 25                    | 34   |
| Selected a purposeful sample of inventory items in the inventory room   | ✓                | ✓                     | ✓    |
| Number of inventory items verified in the inventory list:   | 25               | 25                    | 36   |
| Tested inventory items to determine orders were properly approved and items were received and recorded in the inventory management system | ✓                | ✓                     | ✓    |
| Number of inventory items tested:   | 24               | 24                    | 20   |

Source: Auditor's analysis.

#### Internal Control Rating

CSA classifies locations with no control weaknesses as effective and those with few instances of control weaknesses as needing some improvement. If significant control weaknesses exist, CSA determines that major improvement is needed. If a department has severely inadequate controls and unmanaged risks, CSA deems the control environment as unsatisfactory.

### EXHIBIT 4      CSA Ratings of Audited Departments' Inventory Processes and Controls

| Ratings                  | DEPARTMENT       |                       |      |
|--------------------------|------------------|-----------------------|------|
|                          | General Hospital | Laguna Honda Hospital | Port |
| Effective                |                  |                       |      |
| Some Improvement Needed  |                  |                       | ✓    |
| Major Improvement Needed | ✓                | ✓                     |      |
| Unsatisfactory           |                  |                       |      |

Source: Auditor's analysis.

**Statement of Auditing  
Standards**

The performance audits summarized in this report were conducted in accordance with generally accepted government auditing standards. These standards require planning and performing the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. CSA believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

## AUDIT RESULTS

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### Summary

The inventory and materials management processes of one of three selected departments, the Port, needed some improvement to its inventory controls. The other two departments—General Hospital’s Materials Management and Laguna Honda Hospital’s Central Supply—needed major improvements to lessen the risks associated with inventory.

The audits resulted in ten overarching findings, each one applying to at least one department:

- One department did not issue citywide inventory processing control guidelines.
- Three departments have inaccurate inventory records.
- Two departments need to improve their inventory categorization.
- Two departments need to use automated processes in ordering and monitoring inventory.
- Three departments do not properly segregate duties and two departments do not properly reconcile cycle count discrepancies.
- Three departments’ inventory valuations are not consistent and/or accurate.
- Two departments do not properly restrict access or safeguard assets.
- Two departments do not properly review purchasing documents and pay invoices on time or properly label inventory items stored in the overflow warehouse.
- One department does not follow its policies and procedures.
- Three departments lack written policies and procedures.

### Finding 1

*AOSD has not issued guidance to departments on inventory controls.*

#### **Citywide inventory control guidelines do not exist.**

The Controller’s Accounting Operations and Systems Division (AOSD) has not issued inventory policies and procedures guidelines applicable to all departments with inventory reflected in the City’s Comprehensive Annual Financial Report. AOSD has drafted a guideline that

addresses general and accounting procedures regarding inventory, but it is general in nature and lacks criteria and guidance for key inventory processes. For example, the draft guideline does not include procedures for an annual physical count and related adjusting entries. It also does not include guidance to ensure that costs associated with inventory are determined and accumulated using consistent application of generally accepted accounting principles applicable to municipalities and counties.

According to the U.S. Government Accountability Office (GAO), controls encompass the plans, methods, and procedures used to meet missions, goals, and objectives, and controls are the first line of defense in safeguarding assets and preventing and detecting errors and fraud. The GAO states that an organization's controls should be clearly documented. GAO further states that policies and procedures demonstrate management's commitment to inventory management.

Establishing written policies and procedures helps ensure consistent and accurate compliance and application needed to achieve high levels of integrity and accuracy. Establishing strong controls to protect city assets is important to ensure adequate supplies of materials, inventory accuracy, and inventory accountability.

## **Recommendation**

1. The Office of the Controller's Accounting Operations and Systems Division should document a citywide inventory processing control guideline to provide departments with requirements that, at minimum, address major components of the inventory process, including:
  - a. Proper accounting and financial reporting of inventories
  - b. Annual physical inventory counts
  - c. Year-end adjusting entries
  - d. Inventory costing methods
  - e. Safeguarding of inventory
  - f. Monitoring of obsolete and slow-moving inventory



## Finding 2

### Inventory on hand does not match system records, indicating an inaccurate inventory list.

*Each inventory location had inaccurate inventory records, which included both overages and shortages.*

All audited inventory locations maintained inventory quantities that did not reflect their system records, indicating inaccurate inventory lists. The audited records included both overages and shortages.<sup>8</sup>

CSA selected a purposeful sample of inventory items to conduct both system-to-floor and floor-to-system counts to determine accuracy and completeness of inventory at each location. Discrepancy rates and total discrepancy amounts are shown in Exhibit 5:

#### EXHIBIT 5

#### Physical Count Results

| Location              | Count Type      | Percent Discrepancy | Net Discrepancy |
|-----------------------|-----------------|---------------------|-----------------|
| General Hospital      | System-to-floor | 96%                 | \$(33,892)      |
|                       | Floor-to-system | 96%                 | (4,462)         |
| Laguna Honda Hospital | System-to-floor | 48%                 | (258)           |
|                       | Floor-to-system | 28%                 | (678)           |
| Port                  | System-to-floor | 38%                 | 1,205           |
|                       | Floor-to-system | 21%                 | (33)            |

Source: CSA's fiscal year 2013-14 inventory audit reports.

*Inventory shortages indicate that items were removed from inventory without records being updated.*

Shortages indicate potential theft, while both shortages and overages, at a minimum, indicate issuance problems. A shortage indicates that items were removed from inventory without records being updated. A shortage can also occur when withdrawals from inventory are not recorded. An overage indicates that items were not recorded in inventory when stocked, items were recorded as issued but not taken, or that issued items were returned to the shelf. These inaccuracies increase the risk of undetected theft and lost or missing assets.

According to the GAO Guide, one of the key factors in developing and implementing an accurate physical count process is to establish accountability. Establishing accountability for the inventory physical count process

<sup>8</sup> Shortages are indicated when the inventory system shows more items than are actually on hand; overages are indicated when the inventory system shows fewer items than are actually on hand.

requires setting performance goals and holding the appropriate level of personnel responsible for the overall process. Performance goals for the physical count process can be set by establishing inventory record accuracy goals or other measurable, results-oriented performance expectations, such as adjustments and the number of accurate counts. Primary responsibility for the overall physical inventory counts should be specifically designated and assigned. The designated individual should be held responsible for achieving an established inventory record accuracy goal.

Establishing performance goals will help the departments manage and evaluate the effectiveness and efficiency of their warehouse operations and continually assess the departments' progress in achieving and maintaining those goals. According to the GAO Guide, experts agree that inventory record accuracy goals should be set at 95 percent or higher.

**Recommendations**

Departments should:

2. Ensure that their system records accurately reflect inventory on hand.
3. Establish performance goals for the physical counts and develop employee/supervisor performance measurement systems to hold appropriate personnel accountable for accomplishing a consistent, accurate physical count of inventory.

**Finding 3**

**The inventory categorization model (ABC) needs periodic review to improve inventory counts and classification.**

Laguna Honda Hospital and the Port had issues with inventory categorization. At both locations, inventory items are classified into A, B, and C categories to help management identify items that significantly affect overall inventory cost and require different management and controls.

*No management approval is required to adjust item thresholds in Laguna Honda Hospital's inventory system.*

Laguna Honda Hospital's Central Supply staff can adjust the category thresholds of the items listed in the inventory management system without management's preapproval. The staff stated that the thresholds for

categories A and B were updated the prior quarter to each cover the top 40 percent of items in terms of usage rate. According to Central Supply, the higher thresholds were used to help increase the physical counts coverage.

*The Port's ABC Code Policy needs revision.*

The Port has not updated its ABC Code Policy (inventory categorization model) to correctly reflect the Port's current inventory usage. Low usage rates have caused the Port's inventory to have percentage breakdowns among the A, B, and C item categories that do not match those stated in Port policy. Failure to update the inventory categorization model could result in an incorrect number of cycle counts occurring and items being included in the wrong inventory category.

According to the GAO Guide, to count an appropriate amount of the total inventory, management must decide which inventory items to count and how frequently those items should be counted. Ideally, all inventory items would be counted at least yearly. However, maintaining accurate inventory records by counting items takes time and costs money. Because there are typically limits on these resources, the best way to balance control of the inventory and the cost of the count is to focus on the items determined to be more important or at higher risk to the organization. Management should consider items' value, criticality to operations, and susceptibility to theft or fraud when segmenting the inventory and determining the frequency of counts for each segment.

To make the most effective use of the ABC classification, periodic review should be completed to validate the categories. Neither Laguna Honda Hospital nor the Port has analyzed its current inventory usage to validate the thresholds of the ABC categories.

## **Recommendation**

4. Departments should periodically analyze usage to validate the inventory segments, determine the desired frequency of counts, and reassess the risk of each segment.

#### Finding 4

#### General Hospital and the Port do not use automated processes in ordering and monitoring for all inventories.

*Periodic automatic replenishment and minimum and maximum inventory levels are used to monitor inventory for reordering.*

Inventory is not effectively ordered and monitored due to the underuse of automated processes. Two departments were identified as needing improvement in their inventory reordering process.

Periodic automatic replenishment levels are used for automatic reordering of inventory items. Once inventory drops below the periodic automatic replenishment level, a purchase order is automatically created and inventory is ordered through the primary vendor.

*General Hospital has not established periodic automatic replenishment levels for most inventory items.*

General Hospital relies on an informal process to determine and monitor inventory levels. Although for some inventory items periodic automatic replenishment levels have been established, when using Omnicell Carts<sup>9</sup>, for most there are none. Inventory levels should be replenished to periodic automatic replenishment levels to ensure sufficient available supplies without overstocking. A lack of periodic automatic replenishment levels increases the risk that inventory items may not be available when needed.

*The use of a periodic, automatic replenishment level could improve the efficiency of inventory distribution functions and ultimately help contain costs.*

According to the GAO, the use of a periodic automatic replenishment level that is controlled by central stores could improve the efficiency of inventory distribution functions and ultimately help contain costs.<sup>10</sup>

Replenishment levels can be set by establishing in the inventory system minimum and maximum inventory levels. A minimum level is used to maintain item quantities so that enough items are always on hand and a maximum quantity is set to ensure that items are not overstocked.

The Port does not have minimum or maximum levels assigned to each of its inventory items in Oracle. Of the 4,937 items on the Port's *Min/Max Report* generated on February 6, 2014, 65 percent did not have minimum levels assigned to them and 50 percent did not have

---

<sup>9</sup> Omnicell carts are automatically stocked through Pathways Materials Management system by Periodic Automatic Replenishment level.

<sup>10</sup> United States Government Accountability Office, *Auditing and Financial Management: Opportunities for Improving Hospital Purchasing, Inventory Management and Supply Distribution. Part I*, PSAD 79-58A, 1979.

maximum levels assigned to them.

Failure to assign items proper minimum levels in Oracle could cause the Port to exhaust critical inventory items, which could stall maintenance work. Also, failure to assign proper maximum levels could result in Port staff overpurchasing materials, which could result in wasted storage costs incurred to house unnecessary items.

According to Port policy, minimum levels are to be assigned to each inventory item in Oracle, but the policy does not specify how minimum levels are to be determined. The policy also states that maximum inventory levels are to be assigned based on the Port's ABC inventory management system.

**Recommendation**

5. Departments should set periodic automatic replenishment values or minimum/maximum levels for all inventory items and implement them in the inventory ordering process.

**Finding 5**

**Incompatible duties are not always segregated, and discrepancies in cycle counts are not reconciled to mitigate the risk of error and fraud.**

*Departments failed to segregate duties, increasing the risk of improper transactions occurring.*

All three departments have control weaknesses due to a lack of segregation of staff responsibilities. A lack of segregation of duties increases the risk of fraud. When incompatible duties are not separated, improper transactions can be recorded in inventory records to cover improper or unauthorized transactions. Also, errors can easily be hidden at the time of cycle counts without further investigation.

Further, neither General Hospital nor Laguna Honda Hospital could provide evidence of any reconciliation having been performed between cycle count sheet quantities and inventory item transactions to identify the causes of the quantity discrepancies. General Hospital and Laguna Honda Hospital did provide supporting count sheets for their annual physical inventory counts performed respectively on June 29, 2013 and June 28, 2013.

Consistently identifying the cause(s) of inventory discrepancies could help reduce the amount of inventory

adjustments made during the year. Identifying these causes might detect any theft or loss of assets that may occur and will allow departments to implement corrective actions to mitigate the causes.

*The hospitals and Port had control weaknesses that allowed employees to have incompatible duties.*

- General Hospital allowed one clerk to perform all tasks related to inventory cycle counts, including adjusting quantities in its inventory management system. The hospital has no back-up staff to perform the daily cycle counts in the absence of the clerk. Further, General Hospital did not review potential causes of inventory quantity discrepancies identified during annual counts. Also, the department's Information Systems team made inventory adjustments, which is a control weakness.
- Laguna Honda Hospital permitted employees who were responsible performing inventory cycle counts to adjust the inventory list. Further, the department could not provide evidence of any reconciliation to identify causes of quantity discrepancies.
- The Port had similar control weaknesses to those of the hospitals. The Port used two employees to carry out many of the same duties. Employee responsibilities included maintaining the custody of assets and managing the files of inventory master items.

*An employee that performs duties in one of the key areas should not also have responsibilities in any of the other key areas.*

Segregation of duties is a widely accepted internal control and business practice. According to the GAO Guide, segregation of duties entails dividing or segregating key duties and responsibilities among different people, which helps to reduce the risk of error and fraud so that no single individual can adversely affect the accuracy and integrity of the count. The key areas of segregation are:

- Physical custody of assets
- Processing and recording of transactions
- Approval of transactions

Ideally, personnel performing any one of the above functions would not also have responsibilities in either of the other two functions.

According to the GAO Guide, even with a strong control environment and sound physical count procedures, it is not unusual for there to be differences in quantities between the physical count and the record. Research about the cause—sometimes referred to as root cause analysis—and reconciliation of differences are essential elements of an effective physical count process. The process of research includes performing the required analysis, promptly completing research, and referring variances to management for approval and/or security for investigation. Research, when properly conducted, supports adjustment to the inventory records, identifies the causes of variances between the physical count and the inventory records, and provides management with information with which to implement corrective actions.

## Recommendations

Departments should:

6. Ensure that physical custody, processing, recording, and approval of transactions are segregated to mitigate the risk of error and fraud.
7. Establish policies and procedures that guide staff on how to formally report inventory discrepancies to management for approval and on the required documentation and retention period for the research and adjustment of inventory records.

## Finding 6

### Inventory items do not always have the correct value.

Each of the audited inventory locations had varying inventory valuation issues.

- General Hospital did not have a documented valuation method in its accounting policy, while Laguna Honda Hospital did not adhere to its accounting policy regarding how inventory is to be valued. This resulted in the locations being unable to be assured that they report the values of their inventory correctly in financial records.

*Two departments reviewed had inventory items on their inventory lists that had no value assigned to them.*

- Laguna Honda Hospital and the Port maintained on their inventory lists items that had no values assigned to them. Neither the hospital nor the Port assigned values to inventory items that had been received or transferred from Laguna Honda Hospital's other divisions or the Port's shops. As a result, 2 percent of Laguna Honda Hospital's inventory had no value assigned on June 28, 2013 while 26 percent of the Port's inventory items have no value assigned for the inventory list on February 3, 2014.

According to the GAO Guide, an inventory valuation method that is consistently followed is critical in verifying that on-hand balances agree with financial records.

Further, according to guidance from the Governmental Accounting Standards Board,<sup>11</sup> cost for inventory purposes may be determined under any one of several assumptions as to the flow of cost factors (such as average cost;<sup>12</sup> First In, First Out; and Last In, First Out). The major objective in selecting a method should be to choose the one which, under the circumstances, most clearly reflects periodic cost. A loss should be recognized and accounted for in the current period whenever the utility of goods is impaired by damage, deterioration, obsolescence, changes in price levels, or other causes. Such losses should be measured by applying the method of pricing inventories at cost or market, whichever is lower.

## Recommendations

Departments should:

8. Ensure that they value inventory in accordance with their accounting policies and do so consistently.
9. Determine how to appropriately value recovered inventory and record the cost of each inventory item on their inventory lists.

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<sup>11</sup> Governmental Accounting Standards Board (GASB), Governmental Accounting Standards Series, Statement No. 62, paragraphs 188-201, sets forth the general principles applicable to the pricing of inventories of business-type activities. GASB is the independent organization that establishes and improves standards of accounting and financial reporting for U.S. state and local governments.

<sup>12</sup> The average cost method calculates the cost of ending inventory and cost of goods sold for a period on the basis of weighted average cost per unit of inventory.



## Finding 7

### Inventory items were not always adequately safeguarded against access by unauthorized persons to prevent theft.

*A former General Hospital employee retained access to the inventory system. Laguna Honda Hospital had no list of those with storeroom keys.*

General Hospital and Laguna Honda Hospital did not always adequately safeguard inventory. Specifically:

- General Hospital did not monitor user access to its inventory system to safeguard data and prevent unauthorized access. This allowed a former employee of the department to retain access to the system 4 months after having left the department.
- Laguna Honda Hospital widely distributed keys to its inventory supply room. No assurance exists that only authorized users are accessing the inventory areas. Further, no list of employees who had been given keys to the storeroom was maintained, which resulted in the location having no assurance that only authorized individuals were accessing the inventory areas.

According to guidance from the Auditing Standards Board,<sup>13</sup> access to a storage area should be limited to those employees whose duties require it, and the custody of keys should be controlled. This guidance specifically addresses controls for a public warehouse and management's responsibility for the safeguarding of its assets. CSA applied this guidance to Central Supply given the similarities in management practices and processes.

The National Institute of Standards and Technology (NIST) states that organizations should have policies for identifying account types, granting and removing user access, specifying and enforcing access privileges, requiring appropriate approvals, and regularly reviewing user access.<sup>14</sup>

## Recommendations

10. San Francisco General Hospital and Trauma Center should periodically review user access to the inventory management system, adequately

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<sup>13</sup> Auditing Standards Board's Statement of Auditing Standards, AU 901, *Public Warehouses – Controls and Auditing Procedures for Goods Held*, Section 901.15. The Auditing Standards Board is a senior committee of the American Institute of Certified Public Accountants.

<sup>14</sup> NIST, *Recommended Security Controls for Federal Information Systems and Organizations*, Special Publication 800-53, Revision 3, 2009.

documents the process, and ensures that the system access rights of users who no longer need access are immediately terminated.

11. Laguna Honda Hospital and Rehabilitation Center should:

- Re-key storeroom doors immediately.
- Track the issuance of storeroom master keys.
- Limit storeroom key distribution or install electronic keys to track employees' entry into the facilities after completing its move to the new location.

## Finding 8

### **Purchasing documents and inventory items are not properly reviewed.**

Two departments did not properly review inventory or record inventory on time and made late payments, which represents a control weakness.

General Hospital paid invoices late and did not retain all necessary purchasing documents.

General Hospital's invoices are not always paid within 30 days of their receipt. Of the 24 invoices tested, 2 (8 percent) were paid more than 30 days after receipt.

General Hospital did not always retain invoices and packing slips. Without these purchasing documents, which support the department's payments, there is no evidence that appropriate staff reviewed the documents and processed the payments in a timely manner. Of the 24 inventory items tested for review of payments, 3 (13 percent) were missing invoices, 16 (67 percent) were missing evidence of review from the Receiving Department, and 7 (29 percent) were missing packing slips.

*Invoices should be paid within 30 days of the date the City receives and accepts the invoice.*

According to the City's Prompt Payment Program and General Hospital's accounting policies and procedures, an invoice should be paid within 30 days of the date on which the City receives and accepts it.

According to General Hospital's accounting policies, payments should only be made for invoices that are

originals or that are certified by General Hospital's chief financial officer (for copied invoices) as original, that are signed off by an authorized designee, and that are consistent with contract prices and terms. Further, according to the receiving policy, electronic receipts or paper delivery documents must be signed by the receiving storekeeper. Packing slips and additional delivery documents are to be maintained in Materials Management's Main Storeroom file for future reference.

*Invoices should be retained for five years.*

According to the City's Administrative Code, Section 8.3, the Controller is to guide city departments on the retention and destruction of records relating to financial matters. Each department head is to maintain records according to the Controller's retention policy, which requires that invoices be retained for five years or the length stipulated by the funding source if greater than five years. The Controller's Payment Processing Guidelines also require invoice and supporting documents to be filed systematically for later audit.

General Hospital's inventory items stored in the overflow warehouse are not properly labeled to enable accurate inventory counts.

General Hospital keeps overflow inventory in its warehouse on shelves that are not always correctly labeled. Also, unpacked and unlabeled inventory is stored in another area of the overflow warehouse, known as the "H" pallet area. A lack of accurate location references increases the risk that not all inventory items are accounted for during cycle counts, which could lead to excessive inventory adjustments.

*All inventory items should have labels or identification in the correct location.*

The GAO Guide states that all inventory items should have labels or identification and should be in the correct location.

The Port did not record all inventory items received in a timely manner.

Port staff does not always record inventory items received at Pier 50 in Oracle in the required amount of time. Failure to update these records in a timely manner could result in payments being delayed and an inaccurate inventory record. Delayed payments could result in vendor discounts being missed. Of the invoices

tested, one discount was missed because the Port did not pay the invoice within the required period. Further, based on a test of 15 packing slips, in 3 instances (20 percent) storekeepers did not record materials received into Oracle within the required 48 hours.

According to the Port's Receiving and Distribution Policy, materials should be entered in the Oracle system within 48 hours of receipt.

## Recommendations

Departments should:

12. Comply with the City's Prompt Payment Program and accounting policies to pay invoices within 30 days of the date on which they are received and accepted and retain purchasing documents for a minimum of five years.

13. Ensure that:

- Staff review, sign and date packing slips immediately upon receipt.
- Promptly record materials received in the inventory system.
- All inventory items have the correct location indicated in the inventory system and on the inventory shelf.

## Finding 9

### Policies and Procedures are not always followed.

One department did not always follow its written policies and procedures.

*The Port did not adhere to written policies and procedures.*

The Port does not conduct daily inventory cycle counts, as required by its policy, increasing the risk of losses due to theft.

According to Port staff, the Port does not perform daily inventory cycle counts at each of its inventory locations. Without regular cycle counts of its entire inventory, the Port cannot ensure that its inventory is being adequately protected against loss and theft, that there are no shortages or unnecessary purchases, or that inventory is properly recorded in the inventory system.

According to the Port's Inventory Cycle Counting Policy, cycle counts are to be performed daily, as generated by Oracle, and cycle count results are to be posted daily.

Port management has adopted the ABC classification as its inventory categorization technique and segmented its inventory items based on dollar usage. The results of the ABC analysis can be used to focus on items that cost the Port most in terms of total consumption value and to determine the frequency of counts. Port management can use different frequencies for the various segments of its inventory.

According to the GAO Guide, leading edge locations that segmented their inventory by value counted high-value items more frequently than low-value items. In other instances, locations used a combination of value and activity or turnover of items to segment their inventory. In these instances, the more valuable items by activity were counted more frequently, usually four times per year, than those that had low value by activity, which were counted once a year.

*The Port does not follow departmental policies on slow-moving and obsolete inventory.*

The Port does not adequately evaluate slow-moving or obsolete inventory, increasing the risk of purchasing unneeded items.

The Port does not adhere to its slow-moving and obsolete inventory policy. According to the Port it does not assess the usability of its inventory yearly, which increases the risk that the Port will purchase too much inventory or inventory that is no longer needed. Also, excess inventory can cause the Port to store more inventory than necessary. Storing excess or obsolete inventory wastes space and, potentially, wastes Port staff time to count the items.

The Port's policy regarding slow-moving and obsolete inventory states that the senior storekeeper is to generate inventory usage reports for the main warehouse and all sub-inventory locations annually. These reports are to be used to determine which inventory items have had no usage in the last 12 months or are slow-moving (less than 50 percent of the total on hand during the period has been used). Further, these items are supposed to be highlighted on the report and submitted to the deputy director for review. The deputy director or a designee is to evaluate the annual report and recommend dispositions for all reported items.

## Recommendations

The Port Commission should:

14. Establish a cycle count frequency that takes each inventory location's value and dollar usage into consideration and revise current cycle count policy accordingly.
15. Adhere to its slow-moving and obsolete inventory policy by appropriately evaluating inventory usage yearly.

## Finding 10

### **No written policies and procedures exist for certain aspects of inventory management.**

None of the three departments had written policies or procedures for certain aspects of inventory management.

*Each department has missing policies and procedures.*

Both General Hospital and Laguna Honda Hospital lack written procedures over inventory counts and identifying and dispensing expired and obsolete items. Similarly, the Port lacks written procedures over monthly counts conducted in part by Port accounting.

#### Laguna Honda Hospital performs inconsistent counts and does not track the frequency of counts performed.

Laguna Honda Hospital does not regularly perform inventory cycle counts. Without regular cycle counts of its entire inventory, the hospital cannot ensure that its inventory is being adequately protected against loss and theft, that there are no shortages or unnecessary purchases, or that the inventory is properly reported in its financial records.

Laguna Honda Hospital's cycle count transactions summary report for fiscal year 2012-13 shows that only seven cycle counts were performed in the year, of which three were in June 2013.

*Regular inventory counts help provide accurate inventory records.*

According to the GAO Guide, counting an appropriate amount of the total inventory at once or over a period of time with regular frequency helps to provide accurate inventory records for operational decisions and financial reporting. Without periodically scheduled physical inventory counts, inventory shortages and overages could occur and remain undetected.

*General Hospital has no policies to perform daily counts.*

General Hospital has no written policies and procedures to perform daily cycle counts, increasing the risk of ineffective and unreliable counts.

According to General Hospital, it uses procedures for daily cycle counts based on its guidelines for its inventory system, Pathways. However, these guidelines are limited to using Pathways and do not detail the formal instructions for all aspects of the cycle count process.

Laguna Honda Hospital lacks written policies and procedures to perform physical inventory counts.

Laguna Honda Hospital does not have documented policies and procedures that would provide employees clear and comprehensive instructions and guidelines on how and when to perform inventory counts. The absence of clearly written policies and procedures that define limits of authority can give staff excessive discretion that may provide opportunities for undetected thefts and other fraudulent activities. Lack of procedures makes it difficult to hold individuals accountable for their actions.

The Port needs to strengthen its controls over the monthly cycle counts at Pier 70 to ensure inventory accuracy.

The Port has weak internal controls over the monthly inventory cycle counts at Pier 70 and must strengthen them so the Port can use the results to update its inventory list. According to the Port, the primary purpose of the monthly count at Pier 70 is to assess the accuracy and completeness of the accounting records for the preparation of the Port's financial statements. However, this count process is not indicated in the Port's cycle count policy. Further, accounting staff does not always reconcile the variances noted during the monthly counts or communicate the count results to Pier 50 staff.

*Using written policies and procedures is essential to an effective and reliable physical count.*

According to the GAO Guide, establishing and documenting policies and procedures are essential to an effective and reliable physical count. Policies and procedures demonstrate management's commitment to the inventory physical count process and provide to all personnel clear communication and comprehensive instructions and guidelines for the count.

Establishing written policies and procedures helps ensure consistent and accurate compliance and application needed to achieve high levels of integrity and accuracy in the physical count process. Policies and procedures also become the basis for training and informing employees and the reference when there is turnover in personnel. Once policies and procedures have been established and documented, they must be regularly reviewed and updated to reflect any changes in the daily cycle count process.

General Hospital lacks written policies and procedures for identifying and dispensing expired and/or obsolete items, increasing the risk of incurring unnecessary costs.

General Hospital does not have written policies and procedures for inventory items that have expired and/or are obsolete. The lack of policies and procedures for identifying and disposing of obsolete inventory may cause General Hospital to incur unnecessary costs to store expired items that could be liquidated.

*Proper approval methods and disposal of expired or obsolete items reduce the possibility of errors, theft, and mishandling.*

Not only are General Hospital's policy and procedures for identifying and dispensing expired and/or obsolete items unwritten, but it has no system to identify expired items in advance (for example, those expiring within three months). Identifying expired items in advance would reduce the risk of using them on patients.

Laguna Honda Hospital lacks written policies and procedures for identifying and dispensing expired or obsolete items.

Laguna Honda Hospital does not have established policies and procedures for addressing inventory obsolescence. According to the hospital's management, due to the low value of the disposed items, the hospital's management does not review or sign off on the disposal of expired items. However, the lack of policies and procedures for identifying and disposing of obsolete inventory may cause the hospital to incur unnecessary costs to store expired items that could be liquidated.



*It is a best practice to follow a schedule of regular, expired, and obsolete inventory reviews.*

According to inventory literature,<sup>15</sup> it is a best practice to follow a schedule of regular, expired, and obsolete inventory reviews. Benefits of having these reviews include:

- Freeing up space in the warehouse for other purposes.
- Creating the opportunity to identify changes in practices to reduce obsolete inventory in the future.

## **Recommendations**

Departments should:

16. Establish written policies and procedures for the physical count process. The written procedures should provide formal instructions for all aspects of the physical count processes.
17. Establish written policies and procedures for the identification, segregation, and disposal of expired and obsolete items from the inventory. At a minimum, the policies and procedures should define obsolescence and establish clear responsibilities for the enforcement of the policies and the ultimate disposition of the obsolete items.

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<sup>15</sup> Bragg, Steven M., *Inventory Best Practices*, John Wiley & Sons, Inc., Hoboken, New Jersey, 2004.

## APPENDIX A: Controller's Accounting Operations and Systems Division Response

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CITY AND COUNTY OF SAN FRANCISCO  
OFFICE OF THE CONTROLLER

Ben Rosenfield  
Controller

Monique Zmuda  
Deputy Controller

September 19, 2014

Tonia Lediju  
Director of City Audits  
City Hall, Room 476  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

Subject: Response to Fiscal Year 2013-14 Internal Inventory Processes and Controls

Thank you for providing us the opportunity to review the above referenced audit report.

The Controller's Accounting Operations and Systems Division will document the Inventory Processes Control guidelines.

Sincerely,

A handwritten signature in cursive script, appearing to read "Mary Fitzpatrick".

Mary Fitzpatrick  
Director  
Accounting Operations and Systems Division

Attachment.

For each recommendation, the responsible agency should indicate whether it concurs, does not concur, or partially concurs. If it concurs with the recommendation, it should indicate the expected implementation date and implementation plan. If the responsible agency does not concur or partially concurs, it should provide an explanation and an alternate plan of action to address the identified issue.

## RECOMMENDATION AND RESPONSE

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| Recommendation   | Response   |
|--|--|
| <p>1. The Office of the Controller's Accounting Operations and Systems Division should document and implement a set of citywide inventory processing control guidelines to provide departments with requirements that, at minimum, address major components of the inventory process, including:</p> <ul style="list-style-type: none"><li>a. Proper accounting and financial reporting of inventories</li><li>b. Annual physical inventory counts</li><li>c. Year-end adjusting entries</li><li>d. Inventory costing methods</li><li>e. Safeguarding of inventory</li><li>f. Monitoring of obsolete and slow-moving inventory</li></ul> | <p>Concurs. Office of the Controller's Accounting Operations and Systems Division will issue guidelines to the departments on or before June 30, 2015.</p> |

## APPENDIX B: LINKS TO PUBLISHED INVENTORY AUDIT REPORTS

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| Issuance Date | Department   | Report Name and Web Link  |
|---------------|--|---|
| 3/27/2014     | Department of Public Health – Laguna Honda Hospital              | Department of Public Health: Internal Controls at Laguna Honda Hospital's Central Supply Department Do Not Ensure That Assets Are Properly Accounted for and Safeguarded<br><a href="http://openbook.sfgov.org/webreports/details3.aspx?id=1724">http://openbook.sfgov.org/webreports/details3.aspx?id=1724</a> |
| 6/3/2014      | Department of Public Health – General Hospital and Trauma Center | Department of Public Health: San Francisco General Hospital's Materials Management Department Must Improve Controls to Better Manage Assets<br><a href="http://openbook.sfgov.org/webreports/details3.aspx?id=1751">http://openbook.sfgov.org/webreports/details3.aspx?id=1751</a>                              |
| 8/5/2014      | Port Commission  | Port Commission: The Port Should Strengthen Internal Controls Over Its Inventory<br><a href="http://openbook.sfgov.org/webreports/details3.aspx?id=1789">http://openbook.sfgov.org/webreports/details3.aspx?id=1789</a>   |