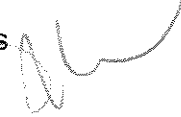


## MEMORANDUM

TO: Harlan L. Kelly, Jr., General Manager  
San Francisco Public Utilities Commission

FROM: Tonia Lediju, Director of City Audits  
City Services Auditor Division 

DATE: July 10, 2014

SUBJECT: San Francisco Public Utilities Commission: Follow-up of 2011 Audit of Water  
Enterprise Warehouse Inventory Management

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### EXECUTIVE SUMMARY

The Office of the Controller's City Services Auditor Division (CSA) issued an audit report on April 12, 2011, *Water Enterprise Should Continue to Improve Its Inventory Management*. CSA has completed a field follow-up to determine the corrective actions that the Water Enterprise of the San Francisco Public Utilities Commission (SFPUC) has taken in response to the report.

The audit report contains 13 recommendations, all of which were included in the field follow-up. Of the 13 recommendations, 7 have been implemented or otherwise closed. One of the other 6 recommendations, although only partially implemented, is also considered closed. Thus, 5 recommendations remain open. Of these, 3 are partially implemented and 2 have not been implemented.

The Exhibit shows the status of each of the 13 recommendations (by its recommendation number in the audit report).

EXHIBIT	Status of Recommendations
Status	Recommendation Numbers
Implemented and Closed	1, 2, 3, 7, 8, 9, 11
Partially Implemented and Closed	6
Partially Implemented and Open	10, 12, 13
Not Implemented and Open	4, 5

Source: CSA

## **BACKGROUND, OBJECTIVE & METHODOLOGY**

### **Background**

The Charter of the City and County of San Francisco (City) provides CSA with broad authority to conduct audits. CSA conducted the Water Enterprise audit under that authority and pursuant to its annual audit plan. The Water Enterprise, one of three utility enterprises of SFPUC, consists of six divisions:<sup>1</sup>

- Natural Resources
- Hetch Hetchy Water<sup>2</sup>
- Water Quality
- Water Supply and Treatment
- City Distribution
- Water Resources Management

Three of the Water Enterprise's divisions have a materials management or materials and supply section, with an inventory warehouse: City Distribution Division (City Distribution), Hetch Hetchy Water and Power (Hetchy), and Water Supply and Treatment (WS&T). The primary function of the materials management section in each of these three divisions is to provide other sections of the division with the parts and materials they require in a timely manner and at the lowest cost. At the time of the 2011 audit, the Water Enterprise held inventory valued at \$2.2 million, of which the City Distribution warehouse had the largest share, then valued at \$1.4 million. The Hetchy and WS&T warehouses had inventory valued at \$309,000 and \$479,000, respectively.

The Water Enterprise uses MAXIMO, an asset management and work-order system, to electronically support a number of inventory and warehouse functions: cataloging stocked items, maintaining information such as specifications and stock type, and tracking inventory data, including storeroom and bin location, bin balances, and physical count frequency. Most inventory transactions begin manually and are then entered in MAXIMO by staff performing inventory or materials management functions. The audit found that the Water Enterprise had mostly adequate controls over its warehouses, but made 13 recommendations for the Water Enterprise to improve its inventory management practices.

### **Objective**

The objective of this follow-up was to verify the degree to which SFPUC has implemented the 13 recommendations in CSA's April 2011 audit report. Consistent with Government Auditing Standards, Section 7.05, promulgated by the United States Government Accountability Office, the purposes of audit reports include facilitating follow-up to determine whether appropriate corrective actions have been taken. CSA follows up on its audits because their benefit is not in

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<sup>1</sup> The names of some divisions may have changed since the audit. This memo uses the historical names to maintain continuity with the 2011 audit report upon which this field follow-up is based.

<sup>2</sup> Hetch Hetchy Water and Power is a stand-alone enterprise composed of the Power Enterprise and a portion of the Water Enterprise's operations (Hetch Hetchy Water), specifically the upcountry water supply and transmission service. Several of the facilities are joint assets, used for both water transmission and power generation.

the findings reported or the recommendations made, but in the implementation of actions to resolve audit findings.

This field follow-up is a nonaudit service. Government Auditing Standards does not cover nonaudit services, which are defined as professional services other than audits or attestation engagements. Therefore, SFPUC is responsible for the substantive outcomes of the work performed during this follow-up and is responsible to be in a position, in fact and appearance, to make an informed judgment on the results of the nonaudit service.

## **Methodology**

To conduct the field follow-up, CSA:

- Obtained documentary evidence from all three inventory warehouses.
- Visited and inspected the City Distribution warehouse, which is the one with the largest amount of inventory.
- Verified SFPUC's reported status of the 7 recommendations that SFPUC had reported as implemented.
- Summarized the issues related to those recommendations that have not yet been implemented.
- Documented the results of the fieldwork.

## **RESULTS**

Of the 13 recommendations in the report, 7 (54 percent) have been implemented, 4 (31 percent) have been partially implemented, and 2 (15 percent) have not been implemented. Details of these recommendations and the implementation status of each are provided below.

### **Recommendation 1 – Ensure that all bin locations at the City Distribution warehouse are clearly and properly labeled according to policy.**

CSA confirmed that all but eight of the tool bin locations in the City Distribution warehouse were properly labeled, in accordance with City Distribution's policies and procedures, which require a numbering sequence depicting warehouse number, location, aisle number, section, and bin/column number.

According to City Distribution's materials coordinator, the unlabeled bins were a work-in-progress. They are often used to temporarily store "special-order" parts. These parts are kept for very short periods, then transferred to the jobs for which they have been requested. He also stated that the unlabeled bins are sometimes used for other purposes, including storage of obsolete items, items that need to be secured, or items that are in frequent use and for which ready access is needed. City Distribution later provided documentation showing that all of the bins now have been labeled.

**Conclusion:** Recommendation 1 has been implemented.

**Recommendation 2 – Assign annual inventory count teams, consisting of warehouse staff and SFPUC Finance staff working together, to efficiently count and verify balances.**

Documentation from all three warehouses verifies that the annual inventory count for fiscal year 2012-13 was jointly conducted by SFPUC's Finance staff and staff from each of the warehouses.

**Conclusion:** Recommendation 2 has been implemented.

**Recommendation 3 – Ensure that a manager approves adjustments to inventory.**

Documentation from City Distribution and WS&T shows that managers (or their designees) now approve inventory adjustments for these warehouses. However, Hetchy acknowledged that it had made an inventory adjustment exceeding \$1,000, in connection with the Rim Fire, that had no manager's approval. Hetchy stated that it would take corrective action by submitting details of the adjustment to SFPUC's accounting unit. Hetchy later determined that this adjustment had been made in error and that the item was returned to stock. Hetchy then took the additional step of requiring its warehouse personnel to coordinate inventory adjustments with the assistant materials coordinator before making the adjustment in MAXIMO, the SFPUC's inventory management software. CSA considers these steps adequate to address the recommendation. No exception is noted.

**Conclusion:** Recommendation 3 has been implemented

**Recommendation 4 – Work with the SFPUC Information Technology unit to resolve discrepancies and ensure that MAXIMO keeps an accurate account of all fuel inventory carried by Water Enterprise warehouses.**

After discussing this recommendation with SFPUC, CSA agrees that SFPUC should address this issue simultaneously throughout the department rather than doing so location-by-location.

**Conclusion:** Recommendation 4 has not yet been implemented.

**Recommendation 5 – Implement an electronic inventory issuance process at the City Distribution, Hetchy, and WS&T warehouses.**

After discussing this recommendation with SFPUC, CSA agrees that SFPUC should address this issue simultaneously throughout the department rather than doing so location-by-location.

**Conclusion:** Recommendation 5 has not yet been implemented.

**Recommendation 6** – Ensure that warehouses reconcile daily the Issued from Stores forms with MAXIMO inventory issued reports to confirm that data was correctly entered into MAXIMO. To maintain adequate separation of duties,<sup>3</sup> the reconciliations should be performed by an individual who did not enter the issue information into MAXIMO.

According to Hetchy, it considers this recommendation to be cost-prohibitive, so will not implement it. Hetchy further stated that its high degree of inventory accuracy does not merit this additional step.

Although documentation from both City Distribution and WS&T indicates that they do reconcile MAXIMO inventory reports to the Issued from Stores forms, staff of these two warehouses agree with Hetchy that doing so daily is not cost-effective.

CSA determined that at both City Distribution and WS&T, the person entering the inventory information into MAXIMO is not the same person who reconciles the Issued from Stores forms with the MAXIMO inventory reports.

**Conclusion:** Recommendation 6 has been partially implemented. The two warehouses at which reconciliations are being performed appear to be maintaining an adequate separation of duties. However, all of the warehouses consider daily reconciliations cost prohibitive and unjustifiable due to the high accuracy rates of the annual inventory counts.

CSA concurs with this determination and no longer consider daily reconciliations to be necessary.

**Recommendation 7** – Formally document discrepancies in Issued from Stores forms and MAXIMO inventory amounts. Report discrepancies to a supervisor to approve any corrections in MAXIMO.

The finding upon which this recommendation is based notes that MAXIMO can generate a daily report of all warehouse issues, and that by not reconciling Issued from Stores forms to the MAXIMO report, staff may not identify when it bills the wrong work order or enters the incorrect item or quantity into MAXIMO. Thus, this recommendation relates to the results of daily reconciliations.

Documentation from Hetchy shows that daily reconciliation would be costly and supports the assertion that the high degree of inventory accuracy does not merit this additional step. CSA verified that WS&T regularly reconciles its Issued from Stores forms to MAXIMO/COGNOS reports, but does not do so daily. City Distribution and WS&T stated that they concur with Hetchy's determination that daily reconciliations would be cost-prohibitive and that current inventory accuracy does not merit this additional step.

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<sup>3</sup> The 2011 audit report upon which this follow-up is based states that the issue of separation of duties only applied to WS&T.

WS&T stated that no discrepancies were found during the period under review (fiscal year 2012-13). WS&T further noted that, had inventory discrepancies been found, the established policy requires that they be reported to WS&T management, SFPUC's Finance and IT offices, and then be noted in MAXIMO.

**Conclusion:** Recommendation 7 has been implemented to the extent that the department deems cost-effective. CSA agrees that daily reconciliations are not warranted.

**Recommendation 8** – Ensure that Hetchy retains Issued from Stores forms.

Documentation from Hetchy shows that it retains its Issued from Stores forms. Hetchy documented the form used for this purpose, titled Hetch Hetchy Warehouse Stock Order.

**Conclusion:** Recommendation 8 has been implemented.

**Recommendation 9** – Implement additional supervisory review of WS&T warehouse operations by someone with knowledge of the operation, but who has no custody or recording responsibilities, such as the manager of the WS&T warehouse, to ensure adequate control over inventory when separation of duties is not possible. This person should review the daily reconciliation of inventory issues to MAXIMO and the results of cycle counts and required adjustments.

WS&T sample inventory count sheets show evidence of supervisory review. WS&T noted that the inventory count for fiscal year 2012-13 found no discrepancies. WS&T also provided verification that it has hired additional staff, which has addressed the issue of the segregation of duties.

**Conclusion:** Recommendation 9 has been implemented.

**Recommendation 10** – Ensure that City Distribution improves its tool management practices by:

- a. **Inventorizing its tools yearly to update the inventory list.**
- b. **Keeping a record of its tool inventory in MAXIMO.**
- c. **Assigning responsibility for the tool inventories and management to the shop supervisors.**
- d. **Developing policies and procedures for tool management.**

Documentation from City Distribution shows that the warehouse has started using MAXIMO/COGNOS to issue and track tools and equipment. City Distribution's manager states that recommendation items a, b, and d are largely complete and that item c is projected to be fully implemented by the end of September 2014.

**Conclusion:** Recommendation 10 has been partially implemented

**Recommendation 11 – Ensure that Hetchy improves its tool management practices by:**

- a. Inventorying its tools yearly to update the inventory list.**
- b. Considering implementing an electronic tool checkout system.**
- c. Completing its policies and procedures for tool management.**

Hetchy submitted a copy of its current Tool Room Policies and Procedures, which require annual tools inventory counts. Sample tool room inventory count sheets show that Hetchy now uses MAXIMO to maintain tool inventory.

**Conclusion:** Recommendation 11 has been implemented.

**Recommendation 12 – Ensure that WS&T improves its tool management practices by:**

- a. Inventorying all tools in shops and on trucks and record the inventory in MAXIMO.**
- b. Annually inventorying all tools in shops and on trucks thereafter to update the tool inventory.**
- c. Assigning responsibility for the tool inventory and management of tools to its shop supervisors.**
- d. Developing policies and procedures for tool management.**

Documentation shows that WS&T's warehouse has started using MAXIMO/COGNOS to issue and track tools and equipment and that WS&T has developed policies and procedures for materials management. According to WS&T, it is in the process of setting up tool storage facilities and the inventorying of existing tools and equipment is an ongoing effort. WS&T also stated that it expects to fully comply with this recommendation by the end of September 2014.

**Conclusion:** Recommendation 12 is partially implemented.

**Recommendation 13 – Develop a dollar threshold for determining which tools need to be secured both in the tool room and at the division shops. To deter theft, tools above the threshold should be kept in locked cabinets or drawers until needed.**

Consistent with Hetchy's policies and procedures, Hetchy's assistant materials coordinator confirmed that all Hetchy tools valued at more than \$100 are put in the MAXIMO tool room inventory module. Hetchy also referred to its response to Recommendation 6, which notes that the current inventory is highly accurate.

City Distribution states that it:

- Is in the process of setting up facilities for storage of tools.
- Is making an ongoing effort to inventory existing tools and equipment.
- Expects to fully comply with this recommendation by the end of September 2014.

According to WS&T, while awaiting a city or departmentwide policy on the issue of a dollar threshold, it is monitoring and tracking all items issued through the warehouse.

**Conclusion:** Recommendation 13 is partially implemented.

SFPUC's response is attached. CSA extends its appreciation to you and your staff who assisted with this audit follow-up. If you have any questions or concerns, please contact me at (415) 554-5393 or [tonia.lediju@sfgov.org](mailto:tonia.lediju@sfgov.org).

cc: SFPUC

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Alan Thoburn

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Debbie Richardson

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Board of Supervisors

Budget Analyst

Citizens Audit Review Board

City Attorney

Civil Grand Jury

Mayor

Public Library



## ATTACHMENT: DEPARTMENT RESPONSE



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June 23, 2014

Tonia Lediju, Audit Director  
Office of the Controller, City Services Auditor Division  
City Hall, Room 476  
One Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

Subject: Management's Response to Limited-Scope Follow-up Audit for  
Water Enterprise Inventory Management

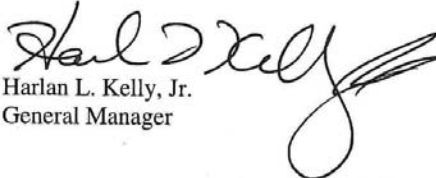
Dear Ms. Lediju:

Thank you for providing us the opportunity to review your audit recommendation determination status for City Service Auditor's April 2011 report "*Water Enterprise Should Continue to Improve Its Inventory Management*".

We appreciate your staff's time and effort on the project and look forward to working again with you in the future.

If you have any questions or need additional information, please do not hesitate to contact me at (415) 554-1600.

Sincerely,

  
Harlan L. Kelly, Jr.  
General Manager

cc: Michael Carlin, Deputy General Manager  
Todd L. Rydstrom, Assistant General Manager Business Services & CFO  
Steve Ritchie, Assistant General Manager, Water  
Nancy L. Hom, Director, Assurance & Internal Controls

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Francesca Viotor  
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Anson Moran  
Commissioner

Art Torres  
Commissioner

Harlan L. Kelly, Jr.  
General Manager



## RECOMMENDATIONS AND RESPONSES

Recommendation	2013 Status per SFPUC	CSA Field Follow-up Work	Determination
The San Francisco Public Utilities Commission should:			
<p>1. Ensure that the City Distribution warehouse labels all bin locations clearly and according to its standard policy.</p>	<p><b>City Distribution:</b> Concur. Completed on 4/4/11.</p> <p><b>Hetchy &amp; WS&amp;T:</b> Not applicable.</p>	<p>Obtained and reviewed a copy of City Distribution's standard policy for managing bin locations.</p> <p>Visited and toured City Distribution warehouse located at 1990 Newcomb Street and observed that most of the tool bins were labeled according to the policies and procedures, which require a numbering sequence depicting bin location, aisle number, and section and bin column/number. Viewed labeling description and samples of bin labels.</p> <p>Also observed eight bins did not have labels. Upon inquiry, City Distribution's materials coordinator explained that the unlabeled bins are often temporary storage places for "special-order" parts. They are kept for very short periods then transferred to the jobs for which they had been requested. He also gave some additional reasons for the bins that were unlabeled.</p> <p>Since the site visit, City Distribution has informed CSA that all the bins are now labeled, and has provided supporting documentation in the form of photographs.</p>	<p><b>Implemented</b></p>

Recommendation	2013 Status per SFPUC	CSA Field Follow-up Work	Determination
<p>2. The Water Enterprise assigns annual inventory count teams consisting of warehouse staff and SFPUC Finance staff working together to efficiently count and verify balances.</p>	<p><b>City Distribution:</b> Concur. Completed on 6/30/11.</p> <p><b>Hetchy &amp; WS&amp;T:</b> The annual inventory counts at these two locations were conducted by Finance staff, with support from Hetchy, and WS&amp;T staff. Prospectively, if Finance staff is not available for a full count, two-person count teams could be utilized, as noted in the "GAO Executive Guide Standards."</p>	<p><b>City Distribution:</b> Obtained documentation verifying that fiscal year 2012-13 Annual Physical Inventory count was jointly conducted by two-person count teams from both the PUC's Finance staff and City Distribution staff.</p> <p><b>Hetchy:</b> Obtained documentation verifying that the fiscal year 2012-13 Annual Physical Inventory count was jointly conducted by two-person count teams from both the PUC's Finance staff and Hetchy staff.</p> <p><b>WS&amp;T:</b> Obtained documentation verifying that the fiscal year 2012-13 Annual Physical Inventory count was conducted by members of the PUC's Finance staff, with assistance from warehouse staff.</p>	<p><b>Implemented</b></p>

Recommendation	2013 Status per SFPUC	CSA Field Follow-up Work	Determination
<p>3. The Water Enterprise ensures that adjustments to inventory are approved by a manager</p>	<p><b>City Distribution:</b> Concur. Completed on 6/30/11.</p> <p><b>Hetchy:</b> Current warehouse procedures require that inventory adjustments greater than \$1,000 be sent to SFPUC Accounting. All adjustments are approved by the Asst. Materials Coordinator. Additionally, IT has created a monthly report, showing all inventory adjustments—regardless of the amount—for management approval.</p> <p><b>WS&amp;T:</b> An existing, warehouse procedure requires that inventory adjustments are documented in MAXIMO, and that pertinent managers and supervisors are notified.</p>	<p><b>City Distribution:</b> Obtained documentation from City Distribution showing that recent inventory adjustments were signed by the supervising manager of the warehouse.</p> <p><b>Hetchy:</b> Obtained documentation from Hetchy stating that an adjustment, exceeding \$1,000, had been made in support of the Rim Fire, and that it had not been approved by a manager. Hetchy also stated that it would take corrective action by submitting, via email, the details of the adjustments to SFPUC accounting. According to Hetchy's assistant materials coordinator, Hetchy now has a stated policy that all adjustments to inventory must be signed by a manager.</p> <p><b>WS&amp;T:</b> Obtained documentation from WS&amp;T showing that inventory adjustments were signed by the supervising manager's designee.</p>	<p><b>Implemented</b></p>

Recommendation	2013 Status per SFPUC	CSA Field Follow-up Work	Determination
<p>4. The Water Enterprise works with SFPUC Information Technology Unit to resolve discrepancies and ensure that MAXIMO keeps an accurate account of all fuel inventory carried by Water Enterprise warehouses.</p>	<p><b>City Distribution:</b> SFPUC is looking at Purchasing an upgrade of the EJ Ward Fuel View software suite 4.0. It has been approved and funded. The software upgrade purchase includes consulting services from E J Ward that are allocated for an analysis of the PUC's business requirements for configuration of the new release of the Fuel View software suite. ITS plans to ask for a "gap/fit" report as part of this Ward upgrade project.</p> <p>Estimated implementation date 11/30/2013.</p>	<p>According to SFPUC, the consensus of opinion is that this recommendation is not one which should be implemented on a location-by-location basis. Instead, SFPUC needs to address this at large.</p> <p>CSA concurs with this determination.</p>	<p><b>Not Implemented</b></p>

Recommendation	2013 Status per SFPUC	CSA Field Follow-up Work	Determination
<p>5. The Water Enterprise implements an electronic inventory issue process at City Distribution, Hetchy, and WS&amp;T.</p>	<p><b>City Distribution:</b> Partially concur. City Distribution will explore the possibility of DatasplICE.</p> <p>Estimated date to complete: 9/23/2013.</p> <p><b>Hetchy:</b> Per ITS, feedback from testing that was done for barcode scanning in 2012 did not result in recommendation of that system.</p> <p>Hetchy and ITS piloted a new Maximo mobile system in the first half of 2013, which has been recommended for use in PUC. Once this system is fully funded, development and implementation will begin, most likely in Quarter 2 of fiscal year 2013-14. The timeline is contingent on funding.</p> <p><b>WS&amp;T:</b> Implementation is pending further directives from the Enterprise.</p>	<p>According to SFPUC, the general consensus of opinion is that this recommendation is not one which should be implemented on a location-by-location basis. Instead, SFPUC needs to address this at large. Full resolution of this is pending an SFPUC ITS recommendation for a department-wide solution.</p> <p>CSA concurs. CSA will recommend that this issue be revisited in a future field follow-up of this audit.</p>	<p><b>Not Implemented</b></p>

Recommendation	2013 Status per SFPUC	CSA Field Follow-up Work	Determination
<p>6. The Water Enterprise' ensures warehouses conducts daily reconciliations of the <i>Issued from Stores</i> forms with MAXIMO inventory issued reports, to confirm data that was correctly entered into MAXIMO. To maintain adequate separation of duties, the reconciliations should be performed by an individual who did not enter the issue information into MAXIMO.</p>	<p><b>City Distribution:</b> This audit recommendation has been implemented. As additional control measures, City Distribution also performs semi-annual counts along with random cycle counts throughout the year.</p> <p><b>Hetchy:</b> "Issues from Stores" form is retained for one fiscal year, and when variances occur, is referenced. Staffing levels do not allow daily reconciliations and labor costs greatly outweigh possible accuracy gains at this point. Daily reconciliations will occur if accuracy degrades.</p> <p><b>WS&amp;T:</b> This was implemented at the time of 4/12/11 report. It is an ongoing practice that WS&amp;T reconciles "Issued from Stores" forms with "MAXIMO Issued" reports once a week. Warehouse staff also performs a weekly cycle count. Each year year-end inventory adjustment rate indicates a high level of accuracy between what is recorded in MAXIMO and actual inventory.</p>	<p><b>Hetchy:</b> According to Hetchy, it would be cost-prohibitive and time-consuming to implement the recommendation. Hetchy further noted that its current inventory accuracy does not merit this additional step. CSA accepts this determination.</p> <p><b>City Distribution &amp; WS&amp;T:</b> CSA has verified that WS&amp;T does reconcile its Issued from Stores forms to MAXIMO/COGNOS reports. However, while this is done regularly, it is not done on a daily basis. City Distribution and WS&amp;T have stated that they concur with Hetchy's determination that the daily reconciliation process would be cost prohibitive.</p> <p>CSA also verified that WS&amp;T is maintaining an adequate separation of duties, as the employees responsible for entering data into MAXIMO are not the same employees who perform the reconciliation of Issued from Stores forms to the MAXIMO Inventory reports.</p>	<p><b>Partially Implemented</b></p>

Recommendation	2013 Status per SFPUC	CSA Field Follow-up Work	Determination
<p>7. The Water Enterprise formally documents discrepancies in Issued from Stores forms and MAXIMO inventory amounts. Report discrepancies to a supervisor to approve any corrections made to MAXIMO.</p>	<p><b>City Distribution:</b> Not Applicable.  <b>Hetchy:</b> It would be cost-prohibitive to implement this recommendation, which relates to the results of daily reconciliations.  <b>WS&amp;T:</b> Implemented.</p>	<p><b>City Distribution:</b> According to City Distribution, it has attempted to implement this reconciliation, but agrees with Hetchy's assertion that the recommendation is cost-prohibitive and unnecessary. In support of this, City Distribution provided documentation showing that the accuracy rate of its inventory count for the period is greater than 99 percent. <b>Hetchy:</b> Based on Hetchy's response to this recommendation, it is not applicable to Hetchy. <b>WS&amp;T:</b> Documentation states that for the period under review (fiscal year 2012-13) there were no discrepancies in the inventory count. WS&amp;T further stated that had there been any discrepancies, they would have been reported to WS&amp;T management, SFPUC's Finance and IT units.</p>	<p><b>Implemented</b></p>
<p>8. The Water Enterprise requires Hetchy to retain its Issued from Stores forms.</p>	<p><b>City Distribution:</b> Not applicable.  <b>Hetchy:</b> This has been implemented; all issued from stores forms are retained in the warehouse for two fiscal years.  <b>WS&amp;T:</b> Not applicable.</p>	<p><b>Hetchy:</b> Obtained samples of Hetchy's Issued from Stores forms (one for each month in fiscal year 2012-13). The fact that Hetchy was readily able to provide these forms at CSA's request indicates that Hetchy retains these forms. Hetchy's form is called Warehouse Stock Order.</p>	<p><b>Implemented</b></p>



Recommendation	2013 Status per SFPUC	CSA Field Follow-up Work	Determination
<p>9. The Water Enterprise implements additional supervisory review of WS&amp;T warehouse operations by someone with knowledge of the operation, but who has no custody, or recording responsibilities, such as the manager of the WS&amp;T warehouse, to ensure adequate control over inventory when separation of duties is not possible. This person should review the daily reconciliation of inventory issues to MAXIMO, and results of cycle counts and required adjustments.</p>	<p>In Progress</p>	<p><b>WS&amp;T:</b> Documentation shows that WS&amp;T has hired someone who is knowledgeable in inventory matters to input inventory data into MAXIMO.</p> <p>As noted for Recommendation 6, WS&amp;T also provided documentation showing that it performs periodic reconciliations. Also, the documentation shows that the reconciliations are reviewed and signed off by staff other than the staff that had input the data. The supervisor's signature is also affixed to documentation of incidents of inventory adjustments.</p>	<p><b>Implemented</b></p>
<p>10. City Distribution improves its tool management practices by doing the following:</p> <ul style="list-style-type: none"> <li>a. Conducting annual inventories of its tools to update the current inventory list.</li> <li>b. Keeping a record of its tool inventory in MAXIMO.</li> <li>c. Assigning responsibility for the tool inventories and management to the shop supervisors.</li> <li>d. Developing policies and procedures for tool management.</li> </ul>	<p><b>City Distribution:</b> We have an implementation plan, which includes identifying persons (shop supervisors) to oversee tool inventories, conducting inventory counts, recording info in Maximo, and developing policies and procedures. Estimated implementation date 10/7/2013.</p> <p><b>Hetchy &amp; WS&amp;T:</b> Not Applicable</p>	<p><b>City Distribution:</b> According to its manager, City Distribution's warehouse has started using MAXIMO/COGNOS to issue and track tools and equipment, and provided copy of a printout from MAXIMO/ COGNOS. The manager states that recommendation items a, b, and d are largely complete, and that item c is projected to be fully implemented within six months. (CSA determined that this six-month period will extend through September 2014.)</p>	<p><b>Partially Implemented</b></p>

Recommendation	2013 Status per SFPUC	CSA Field Follow-up Work	Determination
<p>11. Hetchy improves its tool management practices by:</p> <ul style="list-style-type: none"> <li>• Conducting annual inventories of its tools to update the current inventory list.</li> <li>• Considering implementing an electronic tool checkout system.</li> <li>• Completing its policies and procedures for tool management.</li> </ul>	<p><b>Hetchy:</b> We have entered all tools into MAXIMO with a dollar amount greater than \$100, and are using MAXIMO to electronically checkout/issue those tools. Hetchy has completed a policies manual for tools.</p>	<p><b>Hetchy:</b> Obtained a copy of Hetchy's policies and procedures for the management of tools. Also obtained a screen shot of data that had been entered into MAXIMO, indicating that Hetchy has implemented an electronic tool checkout system. Also obtained documentation verifying that a physical inventory count had been conducted.</p>	<p><b>Implemented</b></p>
<p>12. WS&amp;T improves its tool management practices by doing the following:</p> <ul style="list-style-type: none"> <li>• Performing an inventory of all tools in shops and on trucks and record the inventory in MAXIMO.</li> <li>• Conducting an annual inventory thereafter to update the tool inventory.</li> <li>• Assigning responsibility for the tool inventory and management of tools to its shop supervisors.</li> <li>• Developing policies and procedures for tool management.</li> </ul>	<p><b>WS&amp;T:</b> It is an ongoing effort to reach fully-implemented status.</p>	<p><b>WS&amp;T:</b> CSA obtained documentation from WS&amp;T showing that it has developed policies and procedures for materials management. CSA also obtained documentation verifying that WS&amp;T has started using MAXIMO/COGNOS to issue and track tools/equipment. However, WS&amp;T notes that it is in the process of setting up facilities for the storage of tools and that it is an ongoing effort to inventory existing tools and equipment. WS&amp;T states that it expects full implementation to occur within six months. (CSA determined that this six-month period will extend through September 2014).</p>	<p><b>Partially Implemented</b></p>

Recommendation	2013 Status per SFPUC	CSA Field Follow-up Work	Determination
<p>13. A dollar threshold is developed for determining which tools need to be secured, both in the tool room (at Hetchy), and at the division shops. To deter theft, tools above the threshold should be kept in locked cabinets or drawers until needed.</p>	<p>Implemented</p>	<p><b>Hetchy:</b> Obtained a copy of Hetchy's Tool Room Policies and Procedures stating that "all power tools or tools exceeding \$100 will be entered, and usage managed in the MAXIMO database. Hetchy also provided a screen shot showing stocked items that have been entered into MAXIMO.</p> <p><b>City Distribution and WS&amp;T:</b> Both informed CSA that:</p> <ul style="list-style-type: none"> <li>• They are in the process of setting up facilities for storage of tools.</li> <li>• The inventorying of existing tools/equipment is an ongoing effort.</li> </ul> <p>WS&amp;T also stated that while awaiting a city or departmentwide policy on the issue of a dollar threshold, it is monitoring and tracking all items issued through the warehouse.</p>	<p><b>Partially Implemented</b></p>