



Lexington-Fayette Urban County Government
OFFICE OF INTERNAL AUDIT

INTERNAL AUDIT MEMORANDUM

DATE: February 5, 2014

TO: Jim Gray, Mayor

CC: Sally Hamilton, Chief Administrative Officer
Glenn Brown, Deputy Chief Administrative Officer
Geoff Reed, Commissioner of General Services
Jamshid Baradaran, Director of Facilities & Fleet Management
Phyllis Cooper, Director of Accounting
Susan Straub, Director of Communications
Urban County Council
Internal Audit Board

FROM: Bruce Sahli, CIA, CFE, Director of Internal Audit

RE: Facilities Management Surplus Inventory Issue

Background:

The Office of Internal Audit received an allegation stating that Facilities Management employees have been relocating left over and surplus materials from various jobs to a non-supervised location at the Versailles Road Complex, as opposed to returning them to the designated Central Stockroom located on Old Frankfort Pike where they would be properly accounted for and secured.

Observations:

We visited the Versailles Road Complex and found what appeared to be mostly construction materials and electrical supplies stored in a locked cage we estimate to be about twenty feet by forty feet in size. We did not observe any copper wire or other materials that we would

consider to have significant cash value. Interviews with various Facilities Management employees indicated that some materials may have been stored in this area as far back as 2004 and that the cage currently on site was probably constructed two or three years ago to secure the materials. Access to materials in the cage was reportedly limited to three employees within Facilities Management, although one of these employees represented to us that they did not have a key to the padlock. There was also some disagreement among the employees interviewed as to how many, if any, materials had been added or removed since the cage was built. Our interviews also determined that in the past, materials stored at this location were not secured and therefore could have been taken for either legitimate purposes or pilfered, but there is no evidence to substantiate whether such activity actually occurred.

We were unable to verify if materials have been removed from this location because there is no transaction process to account for them, an observation confirmed by some of the employees we interviewed.

Recommendations:

Items stored at this location should be promptly inventoried and their proper reuse or disposal should be determined. Items which can be reused should be relocated to the Facilities Management Central Stockroom on Old Frankfort Pike and entered into the TMA system for proper recordkeeping and tracking. Items that are no longer useable but that may have sales value should be reported to the Division of Purchasing. Per the Director of Purchasing, scrap metal can be sold to an outside vendor with the proceeds deposited into the General Fund.

Reported for your information.