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Inspector General

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### **OIG Publishes Follow-Up Audit of Department of Water Management's Inventory Process**

The City of Chicago Office of Inspector General (OIG) has released an audit of inventory processes at the Department of Water Management's (DWM) Bureau of Operations and Distribution storage facilities. These facilities hold an inventory of parts such as pipes, valves, clamps, and couplings used by DWM employees to repair water and sewer mains. This report follows up on a 2012 audit which found that 43% of physical inventory amounts did not match the inventory amounts recorded in DWM's asset management system.

The report finds that,

- Physical inventory amounts fail to match electronic records in 40% of the parts sampled. This is only a 3% improvement from OIG's 2012 audit. In its response, DWM outlines some of the steps it needs to take in order to correct this problem;
- Inaccurate inventory balances of some fire hydrant repair parts may lead to a year-end financial overstatement of 2013 inventory. This means that the dollar value of fire hydrant repair parts physically present may be less than the amount recorded. The original audit found a similar overstatement from 2011;
- There is currently no consistent guidance for reporting and oversight of inventory processes. However, DWM is seeking to follow the Comptroller's required citywide inventory policies and procedures by developing written materials to guide manual inventory operations;
- DWM implemented increased security measures to safeguard inventory;
- DWM addressed an understated year-end balance described in the OIG 2012 audit.

"DWM made strides respecting the security vulnerabilities OIG identified last year," said Inspector General Joe Ferguson. "However, it made no meaningful progress towards fixing the deficient internal inventory controls identified in our original audit. We hope this report serves its efforts to improve performance in accounting for and safeguarding taxpayer assets."

The full audit, and City's response to the findings, can be found online at the OIG website:

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