



Report #2026-06
Utilities Warehouse Controls
Audit #2025-20

Department of Inspector General
Stacy M. Butterfield, CPA
Clerk of the Circuit Court and Comptroller
Polk County, Florida

Lita J. McHugh, CPA, CIG, CIGI
Inspector General

Auditor Assigned:
Garrett Pearn, CIA, CIG
Deputy Inspector General



An Accredited Office of
Inspector General



Stacy M. Butterfield, CPA
Clerk of the Circuit Court and Comptroller
Polk County, Florida

June 2, 2026

INSPECTOR GENERAL AUDIT REPORT

Report #2026-06: Utilities Warehouse Controls

The Honorable Board of County Commissioners

We have conducted an audit of the Utilities Division warehouse and its adherence to best practices for warehousing operations and controls, including those over the safeguarding of assets.

Our audit objectives were to determine the adequacy of controls over the request and distribution of inventory and to verify the safeguarding and accuracy of warehouse inventory.

We appreciate the cooperation and assistance provided by the Utilities Division during our audit.

We hope you find this report useful in ensuring that Polk County government provides the best possible services for our residents.

Respectfully submitted,

Lita McHugh, CPA, CIG, CIGI
Inspector General

Approved:

Stacy M. Butterfield, CPA
Clerk of the Circuit Court and County Comptroller



An Accredited Office of
Inspector General

Background

The Polk County Board of County Commissioners (BoCC) Utilities Division provides safe drinking water, wastewater collection and treatment systems to nearly 68,000 accounts in unincorporated communities throughout the county. It is overseen by the Utilities Director and includes several sections, including Customer Service, Finance, Billing, Warehouse, Accounting/AP, and Maintenance. This audit focused on the warehouse, which is responsible for inventory, stock and emergency deliveries. The utilities warehouse is currently staffed by three Warehouse Asset Technicians with oversight provided by the Financial Administrator and Accountant II within the Division. The Warehouse Supervisor position is currently open.

At the beginning of each fiscal year, a blanket PO (purchase order) is issued in Polk One (an Oracle based ERP system) for Utilities vendors. The amounts vary based on how much the division typically buys from each vendor. For example, for FY25-26, a blanket PO for up to \$2 million was issued for Ferguson Waterworks and for up to \$250K for Grainger. As supplies are used, the Warehouse Asset Technician submits replenishment orders to the Utilities Operations Manager for approval. Once approved, orders are processed through the PO. Supplies are received at the warehouse and added into the perpetual inventory system called Lucy.

Lucy is used to record receiving of inventory and to manage orders from Field Techs through requisitions. Requisition orders are received and fulfilled by Warehouse Asset Technicians through a workflow. Field Techs receive notification that their order has been fulfilled and must go to the warehouse to retrieve it. Warehouse staff marks the order complete in Lucy which reduces warehouse inventory and increases truck inventory of the assigned Field Tech.

Invoices are received and processed by the Financial Administration team separate from the warehouse. When processing invoices, the Utilities Accounting team will view Lucy to verify the quantity of items received. The invoice is paid against the blanket PO.

There are various controls in place, including periodic cycle counts of inventory. Lucy can also generate various reports to help identify trends and research issues as needed.

Scope and Methodology

The scope of our audit included:

- Interviews with relevant Utilities personnel
- Review of current warehouse controls and documented procedures
- Review of a sample of purchasing, receiving, and invoice documents
- Observation and review of order fulfillment by requisition and other warehouse activities
- Performance of an onsite random cycle count of inventory

Our audit objectives were to:

- Determine the adequacy of controls over the request and distribution of inventory
- Verify the safeguarding and accuracy of warehouse inventory

Our audit was conducted in accordance with the *Global Internal Audit Standards* of The Institute of Internal Auditors. Accordingly, it included such tests of records and other auditing procedures as we considered necessary in the circumstances.

Results

Overall, the Utilities warehouse has implemented strong controls. The warehouse is neat and orderly and all locations where inventory is selected from are labeled. Processes in place for purchasing, receiving, and distributing inventory, as well as paying invoices, include proper segregation of duties and sufficient controls. Current inventory was found to be mostly accurate based on a blind cycle count performed onsite during walkthroughs.

To further strengthen warehouse controls, we have developed the following observations and recommendations to enhance the precision of inventory tracking and further mitigate risks to Utilities assets.

Observation #1:

There is currently no warehouse manager.

There are three Warehouse Asset Technicians who work to fulfill orders, order and receive inventory, and perform cycle counts and other required tasks. An Accountant II is providing some oversight over warehouse operations while the warehouse manager position is unfilled.

Recommendation #1:

A full-time warehouse manager should be hired as soon as possible. The Accountant II is unable to provide the level of oversight required while working in two different roles.

Management response and action plan:

We agree with this recommendation. We have been awaiting approval for a reorganization plan which has now been approved. The position will be posted in May 2026 and a warehouse manager will be selected as soon as possible.

Person responsible: Veronica Williams

Target date: 06/15/2026

Observation #2:

Duties are not appropriately segregated for warehouse staff.

The warehouse is currently staffed by three Warehouse Asset Technicians, with no warehouse manager. They are responsible for ordering and receiving inventory, fulfilling requisition orders from field staff, performing cycle counts, and adjusting inventory as needed.

Recommendation #2:

Since warehouse staff receive inventory from suppliers, fulfill orders from field staff, and perform cycle counts, we recommend their ability to manually adjust inventory in Lucity be removed. Manual adjustments should be made by someone independent of the process, such as the Warehouse Manager when hired or by the Utilities Asset Manager who provides support for Lucity.

Management response and action plan:

We agree with this recommendation. In the past the warehouse supervisor did all the ordering, and the staff did most of the receiving.

For the record, to establish additional controls during this period of time where no supervisor was present, the following procedures were put in place:

- The Accountant II is copied on all quotes
- Managers needing new items submit requests directly to the Accountant II and Jr. Accountant who creates new part numbers and adds the item to inventory.
- One of the Warehouse Asset Technicians is currently paid out of class to assume many of the duties of the Warehouse Manager. He enters requisitions for new orders in the inventory tracking system and requires approval from the Operations Manager prior to being ordered.
- Other than during staffing shortages, the Asset Technician paid out of class does not receive inventory.
- All invoices are processed through the Utilities Finance Department. Prior to submission for payment, a Finance Team member verifies that the associated parts have been properly added to inventory by reviewing the purchase order number in Lucity and confirming that all items listed on the invoice have been received.
- In the future, any inventory adjustments will be made by the Accountant II or Jr. Accountant who are not located in the Warehouse. The ability to adjust inventory items related to anything other than receiving or issuing inventory will be removed.

Person responsible: Veronica Williams

Target date: 06/15/2026

Observation #3:

Cycle counts are not documented or tracked effectively.

During a walkthrough of the warehouse, warehouse staff could not locate or provide any documentation for recently completed cycle counts and stated they did not track counts by location or date counted.

Recommendation #3:

We recommend warehouse staff develop a method for tracking cycle counts to ensure each location is counted at least once per quarter. Cycle count documentation should be maintained for at least one year to support the accuracy of inventory and for use in researching potential discrepancies.

Management response and action plan:

We agree with this recommendation and will make sure it is put in place as soon as possible.

Person responsible: Charles Richards

Target date: 07/01/2026

Observation #4:

The warehouse was too easily accessible for all Utilities employees and there were no working cameras.

The warehouse is located on a gated property with controlled badge access; however, the warehouse itself was unlocked with a large door left open for ventilation. A security camera was observed but warehouse staff stated they were not currently in use.

Recommendation #4:

We recommend the warehouse have working cameras. If doors must be open for ventilation or circulation of air, cameras should be positioned to capture high-resolution footage of all entry and exit points.

Management response and action plan:

We agree with this recommendation, and we are in the process of getting cameras installed.

Person responsible: Charles Richards, Veronica Williams, Nick Grieves

Target date: 09/01/2026