



**Airport Warehouse Inventory –  
Internal Controls Follow-Up Audit  
A2019-03**

Issued by the  
Internal Audit Office  
April 2, 2019

**City of El Paso  
Internal Audit Office  
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***EXECUTIVE SUMMARY***

The Internal Audit Office conducted a Follow-Up Audit of Airport Warehouse Inventory – Internal Controls Audit Report dated July 12, 2017. The original Audit Report contained five findings. Upon completion of the audit fieldwork, we have determined the status of the recommendation for each audit finding as outlined in the table below:

Finding No.	Description of Findings	Status
1	The El Paso International Airport does not have documented Policies and Procedures for the Airport Warehouse.	Implemented
2	A review of inventory data and inventory adjustments recorded in the Airport's Inventory Management System (WebTMA) identified the following: <ul style="list-style-type: none"><li>• Inventory data is incorrect and incomplete.</li><li>• Inventory adjustments are not reviewed, approved, controlled, or properly justified.</li></ul>	Implemented
3	Part requests, orders, arrivals, issuances, and payment of parts are not properly reviewed, approved, or supported.	Implemented
4	Physical inventories at the Airport Warehouse are not properly performed, reviewed, nor documented.	Implemented
5	Warehouse items, equipment, and tools are exposed to theft, loss, or misplacement due the lack of monitoring and internal control measures.	Implemented

For a detailed explanation of the current observations, please refer to the appropriate finding beginning on page 3.

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***BACKGROUND***

The *Generally Accepted Government Auditing Standards* (Standard 5.06 and 6.36) states that auditors should evaluate whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous engagements. The *International Standards for the Professional Practice of Internal Auditing* (Performance Standard 2500.A1) require that the Chief Audit Executive establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

***AUDIT OBJECTIVES***

The audit objective was to ensure that corrective action was taken by management to address the recommendations detailed in the original Audit Report dated July 12, 2017.

***AUDIT SCOPE***

The audit period covered the operations of the Airport Warehouse during Fiscal Years 2018-2019.

***AUDIT METHODOLOGY***

To achieve our audit objectives, we:

- Conducted interviews and observations with Airport management and Warehouse staff,
- Reviewed Airport Warehouse Policies and Procedures,
- Reviewed Airport Warehouse inventory and tested for accurate inventory records,
- Reviewed adjustments made between inventory counts and inventory records,
- Reviewed process of requesting, ordering, issuing, authorizing payment of goods and services,
- Determined if periodic inventory counts are conducted properly,
- Reviewed Airport Warehouse security.

We conducted this audit in accordance with *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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***CURRENT OBSERVATION AND STATUS***

Based on the follow-up audit results, each original finding recommendation will be designated with one of the following four status categories:

<i>Implemented</i>	The finding has been addressed by implementing the original corrective action or an alternative corrective action.
<i>In Progress</i>	The corrective action has been initiated but is not complete.
<i>Not Applicable</i>	The recommendation is no longer applicable due to changes in procedures or changes in technology.
<i>Not Implemented</i>	The recommendation was ignored, there were changes in staffing levels, or management has decided to assume the risk.

**Finding 1**

**Current Observation**

We reviewed the current Policies and Procedures Manual for the Airport. The Airport Warehouse provided a PowerPoint Presentation “Material Request, Return and Issue” and documents titled “Order parts or replenishment using blanket purchase order” and “Receiving” on February 8, 2019. A document titled “Warehouse Physical Inventory FY 2018” was provided on February 13, 2019.

The Policies and Procedures Manual for the Airport Warehouse addresses the areas of:

- Requesting, ordering, receiving, and issuing materials
- Reviewing invoices/receipts
- Storing, tagging, or recording inventory
- Physical inventory counts

Informal Policies and Procedures were provided that address the areas of:

- Check-in/out of tools
- Disposing of and transferring materials from the Warehouse
- Inventory adjustments
- Warehouse security protocols

**Status**

Implemented

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**Finding 2**

**Current Observation**

A sample of eight (8) inventory items was selected for review to determine if inventory data in WebTMA is accurate and if inventory adjustments are properly recorded. Five (5) items were taken from the WebTMA database and three (3) items were taken from the Warehouse floor. A review identified the following:

- 7 out of 8 (88%) items reviewed had the correct “Quantity on Hand” amounts.
- 1 out of 8 (12%) items reviewed had the incorrect “Quantity on Hand” amount, but it was deemed to be immaterial.
- 8 out of 8 (100%) items reviewed had the correct “Bin Location.”

There were 10 applicable inventory adjustments made between September 1, 2018 and November 30, 2018. A review identified the following:

- 10 out of 10 (100%) inventory adjustments were properly documented in WebTMA.
- 10 out of 10 (100%) inventory adjustments were made by Warehouse employees.

**Status**

Implemented

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**Finding 3**

**Current Observation**

A review of the processes of part requests, orders, arrivals, issuances, and payment of parts was conducted.

**Processing Part Requests**

- 4 out of 5 (80%) transactions tested had corresponding Materials Request, Return and Issue Slips (M&I Slips) to initiate request.
  - The 5<sup>th</sup> transaction tested was purchased for inventory stock, therefore it did not require an M&I slip.

**Ordering Parts**

- 4 out of 5 (80%) transactions tested had the request properly approved by a supervisor.
  - The 5<sup>th</sup> transaction was purchased for inventory stock.

**Part Arrivals**

- 4 out of 5 (80%) transactions had a “Received By” person indicated on the paperwork.
  - The 5<sup>th</sup> transaction did not have a “Received By” person indicated on the paperwork. The item was purchased for immediate installation. Glass was installed as a general maintenance repair at the Airport Main Terminal.
- 3 out of 5 (60%) transactions had the Part Arrival info entered into WebTMA.
  - The remaining two transactions did not require a WebTMA database entry due to being One Time Purchases.

**Issuing Parts**

- 4 out of 5 (80%) transactions tested had employee initials indicating who issued and received parts on M&I Slip.
  - The 5<sup>th</sup> transaction did not require an M&I Slip as it was purchased for inventory stock.

**Authorizing Payments**

- 5 out of 5 (100%) transactions tested had proper payment authorization.
- 5 out of 5 (100%) transactions showed evidence that invoice or receipt was reviewed for accuracy.

**Status**

Implemented

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**Finding 4**

**Current Observation**

The Airport Warehouse is performing and documenting the physical inventory process.

The Airport Warehouse conducted a physical inventory from August 27<sup>th</sup>-30<sup>th</sup>, 2018. A tracking board is used to detail the personnel counting each section along with the recorder and reviewer assigned.

Documentation was provided that an inventory was conducted and total inventory counts and costs were verified by the Assistant Director of Aviation Operations and the Airport Accounting Manager.

**Status**

Implemented

**Finding 5**

**Current Observation**

Physical security has been improved at the Airport Warehouse.

- The Airport Warehouse has relocated the camera surveillance system to the Materials Supervisor's office.
- The Airport Warehouse requires visitors to sign-in and keeps logs.
- The Airport Warehouse keeps track of swipe-ins and monitors doors 24/7. The Airport Warehouse will also randomly review swipes and investigate any events after hours that cause concern.
- Airport Warehouse employees store their personal items in lockers during work hours.
- Customer door now has a barrier to restrict unauthorized access.
- There is a sign-in sheet where employees now check-in and check-out Tools and Equipment that they use.
- The Airport Warehouse provided a list of Tools and Equipment owned by the Airport.

**Status**

Implemented

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***INHERENT LIMITATIONS***

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods beyond the Audit Report date are subject to the risk that procedures may become inadequate due to changes in conditions, management override of internal controls, or that the degree of compliance with the procedures may deteriorate. This was a limited scope audit which only reviewed the areas stated in the Audit Objectives during the Audit Scope period. No representations of assurance are made to other areas or periods not covered by this audit.

***CONCLUSION***

We have concluded our audit work on the objectives of the Airport Warehouse Inventory – Internal Controls Follow-Up Audit. The audit evidence used in the analysis is sufficient and appropriate for addressing the objectives and supporting the observations and conclusion. In accordance with *Generally Accepted Government Auditing Standards*, we are required to conclude on whether the Airport Warehouse met the objectives of this Follow-Up Audit. Based on our audit work, we have determined that the Airport Warehouse met the audit objectives in the following areas:

- The Airport Warehouse has developed Policies and Procedures for Warehouse operations.
- Inventory counts are accurate and inventory adjustments are properly documented.
- Material requests are properly documented and approved.
- Physical inventories are properly conducted and cost calculations are verified.
- Airport Warehouse security measures have been improved to protect inventory.

We wish to thank the El Paso International Airport management and Warehouse staff for their assistance and numerous courtesies extended during the completion of this audit.

*Signature on File*  
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