

Austin Energy Cable Inventory Management



Objective

The objective of this audit was to determine if Austin Energy is efficiently and effectively managing the return of issued cable and scrap cable.

Background

Austin Energy's (AE) 2 main warehouses are located at Kramer Lane and St. Elmo. They issue inventory items and are responsible for processing the return of inventory. The Reclamation warehouse on Justin Lane is responsible for handling of scrap. Austin Metal is contracted by the AE to dispose of scrap.

Based upon January to July 2017 data provided by AE, we selected 3 Electric Services Delivery divisions to review the cable return and handling procedures. These divisions were issued cable with a value of approximately \$5 million by the financial warehouses and returned cable with approximate value of \$1 million to the financial warehouses.

What We Recommend

AE should ensure procedures are consistent and clear for all types of cable.

AE should ensure all staff receive formal training over established procedures.

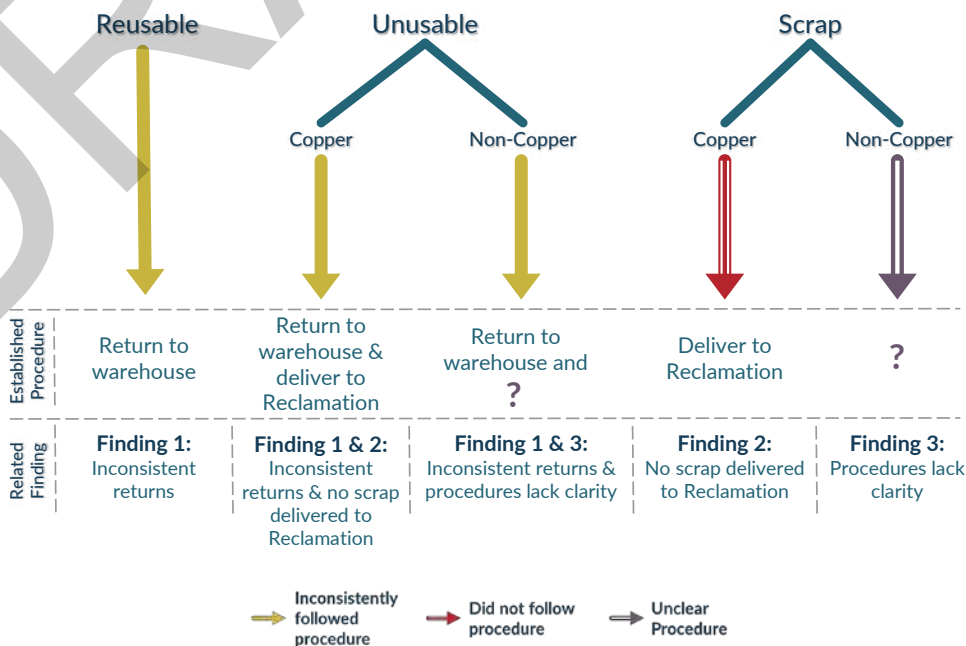
AE should consider relocating reclamation operations to a more convenient location.

AE should implement remaining recommendation from a prior internal audit regarding documenting the quantity of scrap copper cable.

What We Found

Austin Energy has established procedures to ensure the tracking and safeguarding of cable. However, we found Electric Service Delivery crews did not consistently follow the documented procedures for returning cable and did not follow established procedures for the processing of scrap copper cable. Additionally, the procedures related to the handling of scrap non-copper cable are unclear. As a result, cable may not be properly utilized and disposed of, thereby increasing Austin Energy's operating costs due to unnecessary cable purchases based upon an inaccurate inventory. This also exposes Austin Energy to increased risk of loss or theft.

Overall Summary of Established Procedure for Cable and Related Findings



SOURCE: OCA analysis of Austin Energy Guidelines and Work Processes, December 2017



What We Found, Continued

Finding 1 – Crews within ESD did not consistently follow established procedures for returning cable to financial warehouses, which could result in unnecessary cable purchases and increases the risk of loss or theft of these materials.

- Crews are storing surplus cable in ESD yards instead of returning to warehouse for recording in the inventory system.
- Crews verbally communicate lengths of cable used on multiple jobs rather than physically bringing cable to financial warehouse after each job is completed.

Finding 2 – Crews within ESD did not follow the established procedures for handling of scrap copper cable, which increases the risk of theft or loss of this high-value cable and does not allow Reclamation to properly process scrap.

- No scrap copper returned to Reclamation warehouse in over 2 years.
- Bins with signs for both insulated and bare copper cable at ESD yards are not secured and not weighed prior to transportation by Austin Metal.
- Reclamation not always notified of scrap placed at ESD yards.
- The recommendation made by Austin Energy Internal Audit in the Internal Control - Copper Wire FY 2015 Audit regarding documentation of scrap copper cable quantity by ESD has not been implemented.

Finding 3 – Austin Energy has established clear procedures for the return and handling of scrap copper cable, however the procedures for scrap non-copper cable unclear.

- Full reels of non-scrap copper cable delivered to ESD yards due to absence of clear guidelines

Additional Observation – Austin Energy current practices for management of cable inventory may have resulted in forfeited deposits for steel reels.

Austin Energy pays deposits on steel reels when they are delivered by the vendor. These deposits range in value from \$900 to \$4,000. The deposits totaling over \$400,000 were forfeited during the latest 3 year period tracked by Austin Energy. We were unable to determine the deposit amount forfeited due to the non-compliance of procedures by ESD staff and those caused by uncontrollable events such as delayed project starts or cancelled projects.