

DEPARTMENT OF ENVIRONMENTAL SERVICES  
EQUIPMENT SERVICES DIVISION  
STOCKROOM INVENTORY OBSERVATION

Office of Public Integrity  
Date: February 17, 2015

## I. EXECUTIVE SUMMARY

The Office of Public Integrity (OPI) observed the annual physical inventory of the Department of Environmental Services, Bureau of Operations and Parks, Equipment Services Division auto parts stockrooms on October 18, 2014. The results of the review indicate that Equipment Services maintains adequate inventory control.

- ◆ The Office of Public Integrity noted variances in 2.8% of the main auto parts, the machine shop, and Police Department auto parts inventory indicative of differences between the physical counts and the quantities recorded in the perpetual records. In the previous inventory we noted a 2.2% variance.
- ◆ The Office of Public Integrity did not note any variances in the tire room. In the previous inventory we also did not note any variances in this stockroom.

## II. BACKGROUND, OBJECTIVES, AND SCOPE

### A. Assignment

The Office of Public Integrity routinely observes and participates in annual physical inventories of various City stockrooms. The Equipment Services Division of the Department of Environmental Services conducted its annual physical inventory on October 18, 2014. OPI participated in this count at the request of the Department of Environmental Services.

### B. Background

The Equipment Services Division maintains and repairs City motor vehicles and other motorized equipment except Fire Department vehicles. The Division stores and manages an inventory of supplies and materials necessary to perform these functions.

As of October 18, 2014, the total value of the perpetual inventory was \$726,074.54. The inventory is comprised of four storerooms. The main auto parts inventory is comprised of 3,391 line items valued at \$667,481.35, the police auto parts stockroom is comprised of 33 items valued at \$14,867.00, the machine shop is comprised of 189 line items valued at \$9,834.79 and the tire inventory is comprised of 83 line items valued at \$33,890.40.

Stockroom personnel use an automated inventory system that assists in controlling quantities and providing various types of information. A perpetual inventory record is an essential feature of this system.

### C. Objective and Scope

The objectives of this review were to assure an accurate and complete

physical inventory count and to assess the effectiveness of inventory controls.

Management is responsible for establishing and maintaining a system of internal accounting and administrative control. Fulfilling this responsibility requires estimates and judgments by management to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of accurate, informative reports that are fairly stated.

Because of inherent limitations in any system of internal accounting and administrative control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any system evaluation to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

The recommendations presented in this report include the more significant areas of potential improvement that came to our attention during the course of the examination, but do not include all possible improvements that a more extensive review might develop.

## II. RESULTS OF REVIEW

The results of the inventory indicate that Equipment Services maintains adequate inventory control. The variance rates for main auto parts inventory and the tire inventory have remained fairly consistent since the last inventory conducted on October 12, 2013. Following is a list of all inventory storerooms and the variances that OPI noted.

Department of Environmental Services  
Equipment Services  
Inventory by Location

<u>Storeroom</u>	<u>Total Line Items</u>	<u>Total Value</u>	<u>Number of Items Tested</u>	<u>Number of Variances</u>	<u>Error Rate</u>
Main Auto Parts	3,391	\$667,481.35	3,391	90	
Machine Shop*	189	9,834.79	189	11	*
RPD Auto Parts*	<u>33</u>	<u>14,867.00</u>	<u>33</u>	<u>0</u>	*
	<u>3,613</u>	<u>\$692,183.14</u>	<u>3,613</u>	<u>101</u>	2.8%
New/Used Tire	83	33,890.40	83	0	0.0%
Total:	<u>3,696</u>	<u>\$726,073.54</u>	<u>3,696</u>	<u>101</u>	

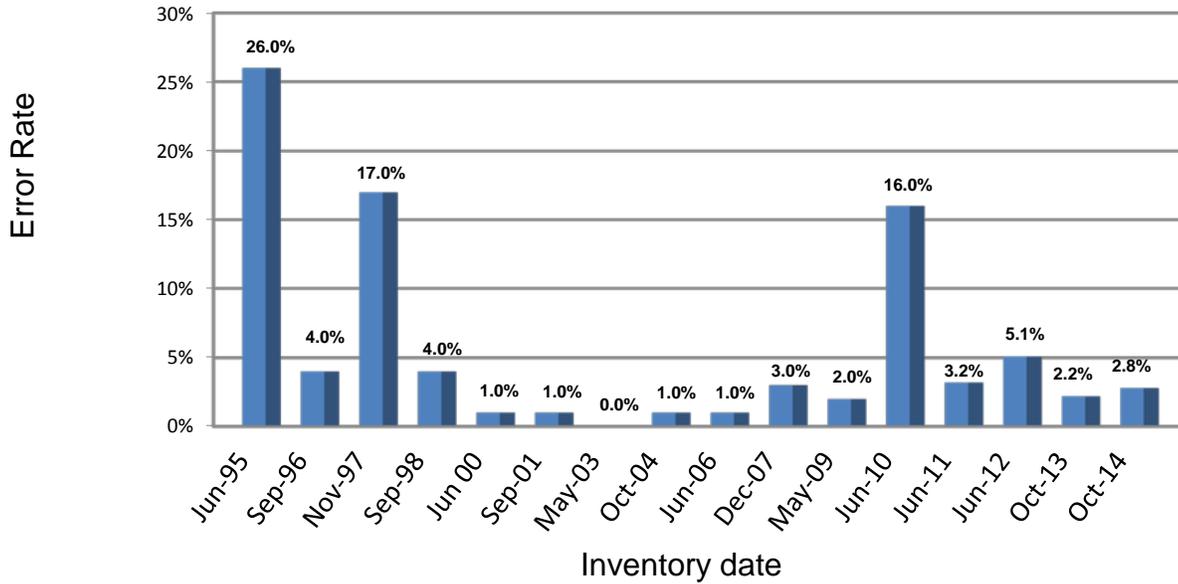
\* Included in Main Auto Parts analysis

A. Variance Analysis – Auto Parts

The Office of Public Integrity counted and compared all auto parts, machine shop parts and police auto parts quantities to quantities recorded in the perpetual records. The range of unit costs included in the population extends from \$0.00 to \$11,119.72. OPI compared the actual count of each of these selected items to perpetual records and noted any variances.

Of the 3,613 inventory items tested we noted 101 variances. This represents an error rate of 2.8%. The following graph presents historical error rates as a reference.

Equipment Services Division  
Auto Parts Inventory  
Error Rate Percentages



The attached table presents the variance analysis of all items in which a variance exists. It demonstrates individual variances between actual physical counts and quantities recorded in the perpetual records, and presents positive and negative variances separately. Additionally, the table includes the net variance.

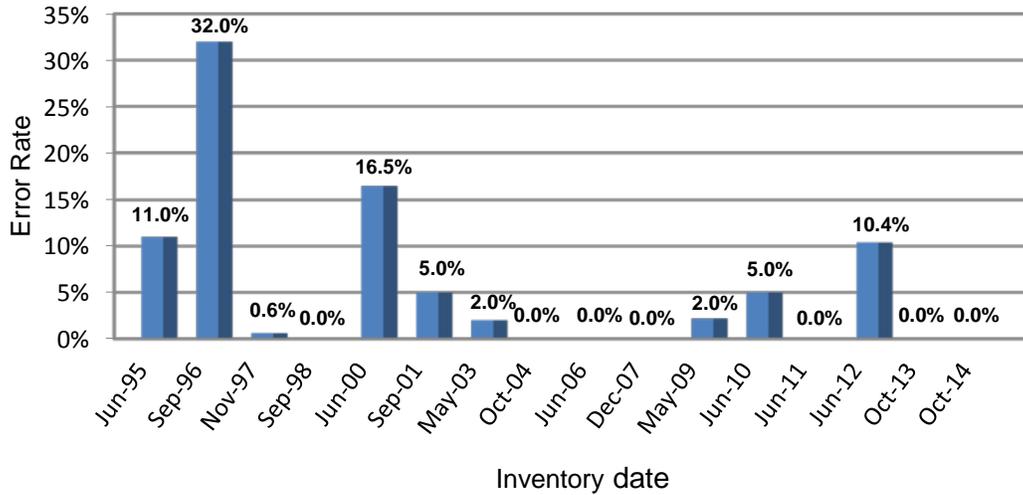
◆ Recommendation

Equipment Services should continue to make inventory control a priority.

B. Variance Analysis - Tires

The Office of Public Integrity counted and compared all tire quantities to quantities recorded in the perpetual records. Of the 83 inventory line items located in the tire stockroom, we did not note any variances. The following graph presents historical error rates as a reference.

Equipment Services Division  
Tire Inventory  
Error Rate Percentages



The error rate of 0% is identical to the error rate noted in the October 2013 inventory and significantly lower than the error rate of 10.4% noted in the June 2012 inventory. Equipment Services personnel should continue this on-going effort to improve overall inventory control

◆ Recommendation

Bureau management should continue to make inventory control a priority.

IV. DEPARTMENTAL RESPONSE

The response of the Department of Environmental Services follows.

Department of Environmental Services  
Equipment Services  
Stockroom Inventory – October 18, 2014  
Schedule of All Items With Variances

Stock Number	Part Description	Booked Quantity On Hand	Actual Quantity Counted	Item Count Variance		Unit Cost	Dollar Variance	
				Over	Short		Over	Short
25861196	FRONT SWAY BAR	2	3	1		\$ 53.04	\$ 53.04	
18A2322R	BRAKE ROTOR 06'-10'FRONT IMPALA	2	0		2	12.00		\$ -24.00
1JC43108	FLAT FACE HOSE FITTING	1	2	1		5.86	5.86	
AAABATTERY	AAA BATTERY GRAINGER 5LE2524-PK	15	14		1	0.93		-0.93
18022	TRANSMISSION FILTER	1	0		1	7.26		-7.26
92918	BACK UP ALARM ROUND	1	0		1	40.21		-40.21
97733	¾" MIRROR CLAMP	1	0		1	3.61		-3.61
40202R	RED 3 PRONG LIGHT	4	5	1		4.86	4.86	
10202R	MARKER LIGHT	5	4		1	1.30		-1.30
LDH395M	GRILL LIGHT, MASTER RED	4	3		1	65.22		-65.22
LDH395S	GRILL LIGHT, SLAVE RED	3	2		1	35.12		-35.12
92099F	ROTATOR ASSEMBY	8	7		1	6.40		-6.40
82014D1R	RED LIGHTBAR LED	23	22		1	9.85		-9.85
820114D	BLUE LED LIGHT	29	30	1		7.69	7.69	
PM27N	DEF REUSEABLE NOZZLE`	1	0		1	4.42		-4.42
SAE30WQT	30W DETERGENT OIL (1UBY8)	9	10	1		6.70	6.70	
1 UBX2	10W30MOTOR OIL QT.	25	23		2	6.78		- 13.56
PM27JUG	DEF FLUID 2-1/2 GALLONS	4	3		1	10.09		-10.09
MC1	WIPER ADAPTER	48	36		12	0.15		-1.80
MC2	WIPER ADAPTER	42	44	2		0.16	0.32	
MC6	HD WIPER BLADE ADAPTER	22	17		5	0.16		-0.80
SP20	20' UNIVERSAL WIPER BLADE	34	36	2		4.86	9.72	
BP226	BATTERY TERMINAL OEM STYLE	13	11		2	2.94		-5.88
4451	BUNGEE CORD 31"	5	7	2		1.56	3.12	
ZCP3303036	AXLE GASKET 5/8 STUD	16	14		2	1.44		-2.88
CR1630	HUB/OIL CAP	2	3	1		16.47	16.47	
24202835	AXLE SEAL	0	1	1		6.17	6.17	
88964168	WHEEL BEARING/HUB	4	3		1	217.52		-217.52
600901	MOWER BLADE	6	5		1	15.76		-15.76
229859	VALVE QUICK RELEASE	2	1		1	23.76		-23.76
MSB203HB	PLOW GUIDE HOLDER	35	34		1	5.95		-5.95
A13264J114	DUST SHIELD REAR	4	3		1	27.79		-27.79
3398AS1173	SLACK ADJUSTER	5	4		1	130.85		-130.85
XK3014707Q	BRAKE SHOE KIT "ORDER CORE"	4	6	2		71.47	142.94	
107794X	AIR DRYER AD9 (HAS CORE)	12	14	2		25.05	50.10	
5903	WHEEL GUARD	3	1		2	5.10		-10.20
TR414	1.5" SNAP IN VALVE SELL EACH	44	43		1	0.20		-0.20
PLOPFE050	½ OZ STEEL WEIGHT 25/BOX	3	4	1		3.15	3.15	
F60309	1-8 STOVER LOCK NUT	70	68		2	1.03		-2.06
F60326	5/8-18 STOVER LOCK NUT	48	0		48	0.19		-9.12
F43576	½-13x11/2" BOLT	75	25		50	0.32		-16.00

Continued on the following page

Continued from prior page

Department of Environmental Services  
 Equipment Services  
 Stockroom Inventory – October 18, 2014  
Schedule of All Items With Variances

Stock Number	Part Description	Booked Quantity On Hand	Actual Quantity Counted	Item Count Variance		Unit Cost	Dollar Variance	
				Over	Short		Over	Short
F59053	7/16-14 NUT	100	150	50		0.14	7.00	
F60303	7/16-14 STOVR LOCK NUT	100	50		50	0.18		-9.00
F93438	7/16" USS WASHER	125	150	25		0.13	3.25	
F43460	3/8-16 X 1/2" BOLT	48	0		48	0.14		-6.72
F43468	3/8-16 X 11/2" BOLT	148	100		48	0.20		-9.60
F43470	3/8-16 X 13/4" BOLT	75	25		50	0.24		-12.00
F60301	5/16-18 STOVER LOCK NUT	100	125	25		0.12	3.00	
F93501	5/16" LOCK WASHER	90	0		90	0.04		-3.60
F59050	1/4-20NUT	300	400	100		0.05	5.00	
F60300	1/4-20 STOVER LOCK NUT	175	150		25	0.10		-2.50
F93435	1/4" USS WASHER	125	100		25	0.05		-1.25
14D785CH	BRAKE PADS FRONT	3	4	1		27.00	27.00	
32048C	#48 HOSE CLAMP	9	7		2	1.35		-2.70
32040C	#40 HOSE CLAMP	5	7	2		1.30	2.60	
32008C	#8 HOSE CLAMP	11	10		1	0.89		-0.89
32010C	#10 HOSE CLAMP	15	13		2	0.90		-1.80
32012C	#12 HOSE CLAMP	11	13	2		0.91	1.82	
21021852	EXHAUST CLAMP EXT. TO FLEX PIPE	1	2	1		9.70	9.70	
21060426	7 <sup>th</sup> INJECTOR OUTLET CLAMP	3	4	1		9.64	9.64	
15264590	TANSMISSION UNE TO RAD 06 UP	2	1		1	27.69		-27.69
10420009	ENGINE STRUT MOUNT 05' & DOWN	3	1		2	28.22		-56.44
TRO35S09	ROTATOR SEAL KIT 3 PER TRK.	5	3		2	37.75		-75.50
D72012	1/2" SNAP RING	4	2		2	0.58		-1.16
20859642	LEFT CV SHAFT ASSEMBLY OEM	2	1		1	238.38		-238.38
601255	LEFT CV SHAFT ORDER COREL	1	2	1		45.72	45.72	
35752	4" EXHAUST CLAMP	3	4	1		3.06	3.06	
EC40PLA	4"STEP CLAMP	4	5	1		8.61	8.61	
FILTERTARP	LEAF TRUCK TARP PIECE	14	13		1	0.00		
2424FB	SNOW BRUSH WOOD HANDLED	221	220		1	1.77		-1.77
ZW33808A	1/2" BRAKE HOSE SLEEVE	4	9	5		2.57	12.85	
PC631CEL97	LEFT PLOW CURB GUARD	98	99	1		129.03	129.03	
1842461C1	SERPENTINE BELT	1	2	1		48.50	48.50	
6K1093	SERPENTINE BELT	3	4	1		27.62	27.62	
198	DUAL FILAMENT BULB	38	37		1	0.68		-0.68
182034	24V 4 WATT BULB	0	1	1		12.84	12.84	
13503417	HEADLIGHT BULB HILL	5	4		1	13.09		-13.09
1661707C1	COOLING FAN PIGTAIL TERMINAL	8	9	1		0.72	0.72	
ET228	30 AMP ATO/ATC FUSEHOLDER SEALED	11	12	1		0.51	0.51	
8F50X6	O RING TO JIC CONNECTOR	4	6	2		1.87	3.74	
3904N	O RING #4	10	8		2	.30		-0.60

Continued on following page

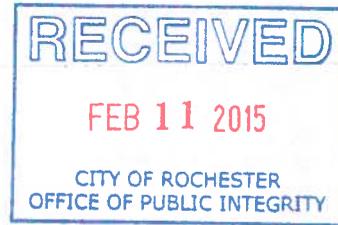
Department of Environmental Services  
Equipment Services  
Stockroom Inventory – October 18, 2014  
Schedule of All Items With Variances

Stock Number	Part Description	Booked Quantity On Hand	Actual Quantity Counted	Item Count Variance		Unit Cost	Dollar Variance	
				Over	Short		Over	Short
1MMU2	ELBOW 90DEG ¼" NPT	0	1	1		6.00	6.00	
5P457	STREET ELBOW 90DEG 1/8" NPT	1	2	1		3.07	3.07	
F59256	HALF NUT 5/8-11	31	32	1		0.15	0.15	
BK110	SAFETY GLASSES 12/BX	83	72		11	1.15		-12.65
T39450360	WAX RIBBON 4.18"X1190'ALLEGRO PR	1	2	1		9.43	9.43	
E1	WESTERN PLOW BLADE 5/8X6X90	24	22		2	82.94		-165.88
G1	120"STEEL PLOW BLADE	39	38		1	76.96		-76.96
11	120" RUBBER BLADE RETAINER	13	11		2	44.63		-89.26
06133	ELECTRICAL TAPE 3/4X52'	12	10		2	4.96		-9.92
CG16	KEY BLANK	5	12	7		0.79	5.53	
3Z939	5/16" GR30 CHAIN PER FT.	79	104	25		2.40	60.00	
½ HEX	HEX STOCK	432	551	119		0.11	13.09	
1-1/4ODX1ID	SEAMLESS TUBING	144	284	140		0.50	70.00	
1 SQ	C.R.S.	194	124		70	0.28		-19.60
3/16X2-1/2	C.R.S	144	288	144		0.23	33.12	
3/16X5/8	C.R.S	167	66		101	0.03		-3.03
3/16X8	C.R.S	134	22		112	1.03		-115.36
3/8X1-1/2	C.R.S	196	147		49	0.10		-4.90
5/16X1	C.R.S	225	144		81	0.07		-5.67
5/16X3-1/2	C.R.S	<u>225</u>	<u>169</u>		<u>56</u>	0.20		- 11.20
		<u>4,669</u>	<u>4,362</u>	<u>680</u>	<u>987</u>		<u>\$872.74</u>	<u>\$-1,672.34</u>
Net Variance .....								<u>\$-799.60</u>



**City of Rochester**

**Inter-Departmental Correspondence**



To: Daniel Mastrella, Office of Public Integrity  
From: Norman H. Jones, Commissioner of Environmental Services  
Date: January 29, 2015  
Subject: Results of Equipment Services Inventory Audit

I have reviewed the audit report for Equipment Services division's stockroom. I agree with your assessment that Equipment Services personnel have maintained adequate inventory control. Of the 3,391 line items listed in the sample, variances existed in 101 items. The inventory that took place on October 18, 2014 resulted in a variance of 2.8% of the sample selection.

In October of 2014 the Equipment Services division enhanced its inventory control strategy. This added control level is monthly cycle counts completed by our consultant. This company contracted by the City has been utilized in another Operations division for many years with great success.

Environmental Services will continue to make inventory control a priority in the department.

cc: Karen St. Aubin  
Mike Quattrone  
Department Copy