

DEPARTMENT OF ENVIRONMENTAL SERVICES
BUREAU OF BUILDINGS AND PARKS
BUILDING SERVICES DIVISION
STOCKROOM INVENTORY OBSERVATION

Distribution: Lovely Warren, Mayor
James Smith, Deputy Mayor
Norman Jones, Commissioner
Tim Curtin, Corporation Counsel

Office of Public Integrity
Date: March 2, 2020

I. EXECUTIVE SUMMARY

The Office of Public Integrity (OPI) observed the annual physical inventory of the Bureau of Buildings and Parks, Building Services Division stockroom on November 22, 2019. The results of the review indicate that Building Services maintains adequate inventory control.

- ◆ The Office of Public Integrity noted four variances in our sample selection indicative of differences between the physical counts and the quantities recorded in the perpetual records. The result is a variance rate of 2%. In the previous inventory, we noted a 1.6% variance 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. Building Services conducted its annual physical inventory on November 22, 2019. Public Integrity participated in this count at the request of Building Services.

B. Background

The Building Services Division maintains City-owned buildings. This includes providing custodial services, repairs and renovations. Typical functions include installing, operating, and maintaining heating, ventilating, and air conditioning systems, and performing carpentry, masonry, electrical, and minor plumbing repairs. Building Services stores and manages an inventory of supplies and materials necessary to perform these maintenance functions. As of November 22, 2019, the inventory was comprised of 5,495 line items valued at \$984,122.53. Stockroom personnel utilize an automated inventory system that assists in controlling quantities and providing various management information. A perpetual inventory record is an essential feature of this system.

C. Objectives and Scope

The objectives of this review are 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.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) 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.

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

III. RESULTS OF REVIEW

The results of this physical inventory indicate that Building Services personnel have continued to maintain adequate control over the inventory.

A. Variance Analysis

Public Integrity selected a statistical sample of items included in the stockroom inventory. The sample selection assures proper representation throughout the entire population of inventory items and accurately projects the results against the entire inventory. The range of unit costs included in the sample extends from \$.10 to \$2,867.60. OPI compared the actual count of each of these selected items to perpetual records and noted any variances.

Of the 182 inventory items tested in the sample, we noted four variances. This represents a sample error rate of 2.2%. The graph on the next page presents historical error rates as a reference.

Building Services Division
Stockroom Inventory
Sample Error Rate Percentages

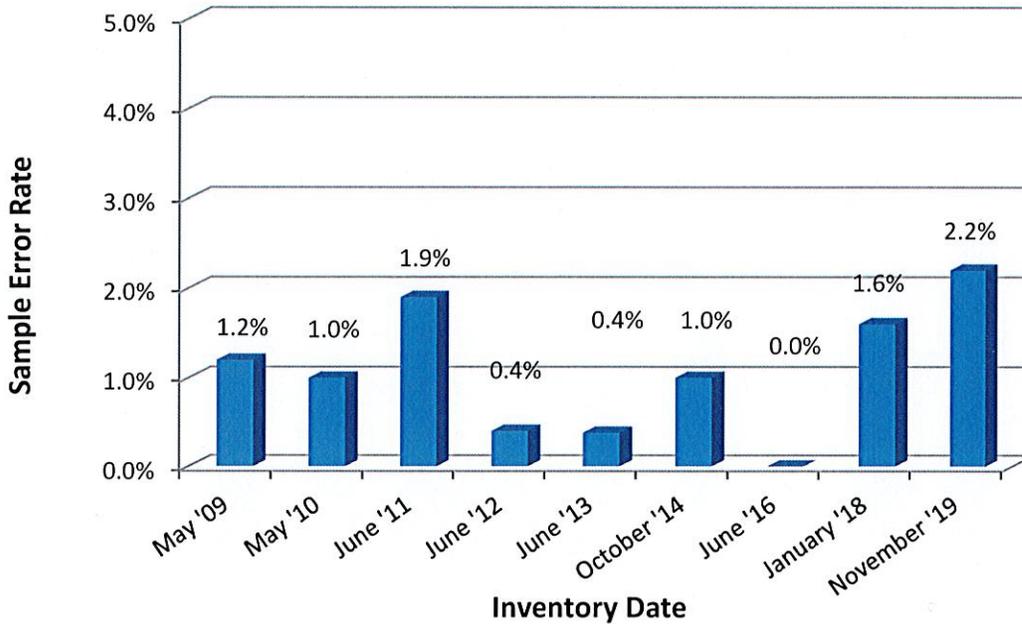


Table I (attached) presents the variance analysis of the statistical sample selection for those items in which a variance exists. It demonstrates individual variances between actual physical counts and quantities recorded in the perpetual records, and presents positive and negative variances separately. Additionally, the table includes the net variance. To eliminate counting errors, Bureau personnel recounted all items in which a difference existed between the quantities recorded in the perpetual record and the actual quantities on hand during the physical inventory.

When Public Integrity extends the sample error rate of 2.2% to the entire population of 5,495 different stock items, the projection indicates that the actual number of errors in the population of stock items is in the range of 16 to 385 item types. When comparing the current error rate of 2.2% to the prior error rates of 1.6% in 2018, 0% in 2016, 1% in 2014 and 0.4% in 2013 it appears that based on the results of the sample selection, Building Services personnel have continued to maintain adequate control over the stockroom inventory. Additionally, it appears that cycle counts throughout the year assist in achieving and maintaining the lower variance rates.

◆ RECOMMENDATION

Building Services should continue to make inventory control a priority.

IV. DEPARTMENTAL RESPONSE

The response of the Department of Environmental Services follows.

**Table I: Department of Environmental Services
 Building Services
 Stock Room Inventory – November 22, 2019
Schedule of Items with Variances Only**

<u>Stock Number</u>	<u>Part Description</u>	<u>Booked Quantity On Hand</u>	<u>Actual Quantity Counted</u>	<u>Item Count Over</u>	<u>Variance Short</u>	<u>Unit Cost</u>	<u>Dollar Over</u>	<u>Variance Short</u>
50430	Cleaner Glass Liq Gal	8	4	0	4	\$ 6.29		\$(25.16)
60489	Bit Drill HS 1/4	19	18	0	1	4.72		(4.72)
39965	Filter 10x20x1 Pleated	3	6	3	0	13.10	\$39.30	
39009	V Belt B70/5L730/L573/3730	<u>2</u>	<u>3</u>	<u>1</u>	<u>0</u>	8.73	<u>8.73</u>	
		<u>32</u>	<u>31</u>	<u>4</u>	<u>5</u>		<u>\$48.03</u>	<u>\$(29.88)</u>

NET VARIANCE..... \$ 18.15



City of Rochester

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FEB 27 2020

City of Rochester
Office of Public Integrity

Norman H. Jones
Commissioner

Inter-Departmental Correspondence

To: Tim Weir, Director, OPI

From: Norman H. Jones, Commissioner/ DES

Date: February 26, 2020

Subject: **DES Building Services Inventory Stock Audit**

I have reviewed the attached audit report regarding Building Services Inventory conducted on Friday, November 23, 2019.

I agree with the assessment that Building Services personnel has maintained adequate inventory control of the 182 items in the ample, 4 variances were noted, Building Services will continue to make inventory control a priority.

xc: Anthony Orphe, Deputy Commissioner
Marvin Parker, Jr., Manager Building Services

