

DUTCHESS COUNTY COMPTROLLER'S OFFICE

AUDIT REPORT
MAY 2014

Public Works Inventory

Stored Materials and Items with a value of less than \$3,000

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Comptroller's Summary

Opportunities exist to improve recordkeeping and control over inventories which would increase efficiency and accountability of county funds and property. Policies and procedures should be drafted and implemented to control the purchase and inventory of stored materials with special consideration given to needs and risk assessments. Oversight and monitoring should be increased and evidenced to safeguard county property.

Scope, Objective and Methodology

An audit of the policies, procedures and controls of the 'Stored materials', and Assets with a value of less than \$3,000, excluding expendable supplies, was conducted to review management's controls for accountability, efficiency and safeguarding of county property. The Public Works Department is primarily responsible for all County buildings, roads, bridges, parks and the County Airport and the respective maintenance of county property.

'Stored materials' as defined for this review included: items purchased in bulk for construction projects such as lumber, shingles, lighting, tiles; items saved for reuse such as fencing; items purchased for safety projects that were not installed such as a metal detector and associated equipment. Project costs can range from hundreds to thousands of dollar or more.

Assets with a value of less than \$3,000 include: radio equipment, power tools, hand tools and other items deemed high risk. The total value of items is estimated to be several hundred thousand dollars.

Our audit test work was limited to information provided by each division and their respective work areas. This audit, and its conclusions, is based on information provided through interviews, financial records, physical inventory sampling and review of the operating procedures in place during the last quarter of 2013.

General Findings and Recommendations

Assets with a value of less than \$3,000

- The Dutchess County asset management policy includes a statement that high risk assets with a value of less than \$3,000 are required to have a tracking and recording system. These assets include radio equipment, power tools and other tools deemed high risk. The divisions do not maintain a centralized accounting system or a periodic written requirement to inventory all 'high risk' items with a value of less than \$3,000. As a result, we recommend procedures be written and implemented by DPW to track items in accordance with the Dutchess County asset management policy. Procedures should include when inventories are to be conducted, how they will be documented, follow up for missing and obsolete items, and details on who will provide on-going supervision and oversight to ensure policies are followed and items are accounted for. In addition, risk assessments should be conducted to ensure items are stored and disposed of, when necessary, in a safe and timely manner.

Stored Materials

- There are no written policies and procedures for stored materials. There was no centralized accounting record for 'stored materials' such as roofing materials, ceiling tiles, lumber, fencing and stone items. In most cases, items were purchased for projects that did not materialize in a timely fashion. There was no evidence that 'stored materials' were periodically reviewed for necessity and possible obsolescence. As a result, we recommend procedures be written and implemented to include the periodic review of all inventories and stored materials including review for necessity and disposition. Oversight and monitoring should be evidenced to provide accountability and safeguarding of stored materials. In addition, procedures should be put in

place to ensure there is a deliberate and immediate need for 'stored materials'. Also, return policies should be explored and required for all purchases to ensure funds are not wasted.

- Methods should be explored to increase communication between the divisions and departments to assist in the efficient usage of materials, supplies and equipment stored.

Observations

Assets with a value of less than \$3,000

- ❖ The Auto Service Center and Highway Garage have dedicated parts rooms and storage areas and staff to maintain perpetual inventory systems that record the receipt and issuance of the majority of items. Items are recorded in a computerized 'parts' system. **The other public works division areas do not maintain a central inventory receipt and issuance record.**
- ❖ Lists of tools/assets with a value of less than \$3,000 were requested and obtained from the following Public Works division staff and random items were sampled for existence:
 - DPW Highway, Building Maintenance, Engineering, Airport and Auto Service Center lists were typed and physical inventory samples were performed. No discrepancies were noted.
 - Parks department lists for Wilcox, Bowdoin were typed and physical inventory samples were performed. No discrepancies were noted.
 - Aviation Division provided listings containing items located in vehicles. No discrepancies were noted.
- ❖ At the time of our original review of tires stored at Highway and Auto Center; lists were not prepared, but were completed during our audit. Both lists were added into their computerized parts inventory software.
- ❖ At the commencement of our audit the total values for parts inventories maintained at the Highway Division and Auto Center were not entered into the county financial system. This information was given to Dutchess County Finance by DPW Management for recording during our review.
- ❖ We noted a Building's employee did not have all tools available at the time of our physical review as the department had an informal policy where employees were allowed to borrow tools for personal use.
- ❖ E-911 and Dutchess County Community and Family Services have a maintenance staff person included in their respective budgets to perform day-to-day maintenance and have supply areas at their facilities. Lists of tools were provided by respective staff members at each location. A sampling of items was conducted at these locations with no discrepancies found.

Recommendations

- Management should review all storage areas and document all contents.
- A centralized accounting of assets with a value of less than \$3,000 should be maintained. *This could be as simple as maintaining an excel spreadsheet based on all of the information gathered from the various areas.*
- Periodic physical inventories should be performed by management personnel to safeguard items.
- Communication methods should be developed for the sharing of tools and equipment to minimize unnecessary costs.

- Items deemed obsolete should be disposed of either through county auction, recycling, or where other methods have been exhausted, discarded.
- The practice of borrowing of tools and equipment for personal use should be stopped and communicated to staff periodically.
- Comprehensive written policies and procedures should be developed to provide guidance to staff.
- All assets should be safeguarded.

Stored Materials

- ❖ During our physical inventory reviews, we asked about specific 'stored materials' that were found at various sites. Staff indicated stored supplies were comprised of items that had been purchased for specific projects by administrative staff; however, in most cases the projects were put on hold. We reviewed the records for several projects associated with the stored materials and found this to be true.
- ❖ A sampling of 'stored materials' found at various locations follow:

Storage Area	Stored Material	Comments
Beacon Center	Fencing	Previously used
Mental Hygiene	Ceiling tiles	\$7,689
High Street Building	Tires (2) for dpw van	Normally at Auto Center
Emergency Response	New Roof Shingles	New
Parks Departments	Cases of paper products	Unopened box- not used
	Cases of Ammonia	Unopened – per division staff -obsolete
	Stove Pipes	
	Roofing Materials	\$18,476 (Some stored at Probation)
	Floor tile –Bowdoin Park	\$401
Airport	Old radio equipment	Old
Public Works –County Office Building	5 boxes of sidewalk caulk	\$891
	A new X-ray machine/other security equipment which was not installed	New
Eastern Dutchess Building	Roofing materials	\$8,317
Probation	Roofing supplies, conduit wires and pipes	New wires/pipes from Health Dept move
Highway Salt Shed	8 Pallets of Granite	\$6,047

Additional Comments

- Staff indicated that 'used' items were kept for re-use. For example, old ceiling tiles are stored at the County Office Building. Tiles are obsolete and some ceilings have not been renovated in the past 30 years.
- Staff indicated some items have become obsolete to the department. For example, ammonia used for cleaning was purchased in bulk by Parks but is no longer used.
- Supplies were ordered for jobs but the project was put on hold such as roofing materials and the security items.

- While conducting our review, a monitor that was part of the 'stored' security equipment was determined to be missing. A police report was filed by the department as a result of the theft.
- Staff indicated some items are stored, forgotten and were realized during our audit review.
- Additional supplies maintained on hand, but not noted above were deemed necessary for daily operations.

Recommendations

- Management should review all storage areas and document all contents and prepare a centralized accounting of 'stored materials'. This could be as simple as maintaining an excel spreadsheet based on all of the information gathered from the various areas.
 - Periodic physical inventories should be performed by management personnel to safeguard items.
 - Stored materials should be evaluated for use in a timely manner to prevent damage or theft.
 - Communication methods should be developed for the sharing of stored materials and equipment to minimize unnecessary costs and storage.
 - Items deemed obsolete should be disposed of either through county auction, recycling or where other methods have been exhausted, discarded.
 - Comprehensive written policies and procedures should be developed to provide guidance to staff.
 - All assets should be safeguarded.