

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

Distribution: Malik D. Evans, Mayor  
Patrick Cunningham, Deputy Mayor  
Richard Perrin, Commissioner  
Linda Kingsley, Corporation Counsel

Office of Public Integrity  
Date: April 3, 2023  
Contact: Kara Makely  
Phone: 428-6061

## I. EXECUTIVE SUMMARY

The Office of Public Integrity (OPI) observed the annual physical inventory of the Bureau of Buildings and Parks, Building Services on February 24, 2023. Results of the review indicate that Building Services maintains adequate inventory control.

- ◆ The Office of Public Integrity noted three 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 1.7%. In the previous inventory, we noted a 2% 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 February 24, 2023. As part of our annual work program, OPI participated in this count.

### 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 February 24, 2023, the inventory was comprised of 3,568 line items valued at \$896,512.78. The stock room has undergone changes due to reconfiguration of the physical storage area. Building Services changed location assignments both physically and in the system. Staff is still working on assigning new locations and building shelving to house 877 line items. As a result, the inventory count did not include 877 or 24.6% of the 3,568 total number of line items. These items are valued at approximately \$156,350 or 17% of the total inventory value.

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 \$.11

to \$4,137.50. OPI compared the actual count of each of these selected items to perpetual records and noted any variances.

Of the 176 inventory items tested in the sample, we noted three variances. This represents a sample error rate of 1.7%. The graph below presents historical error rates as a reference.

Building Services Division  
Stockroom Inventory  
Sample Error Rate Percentages

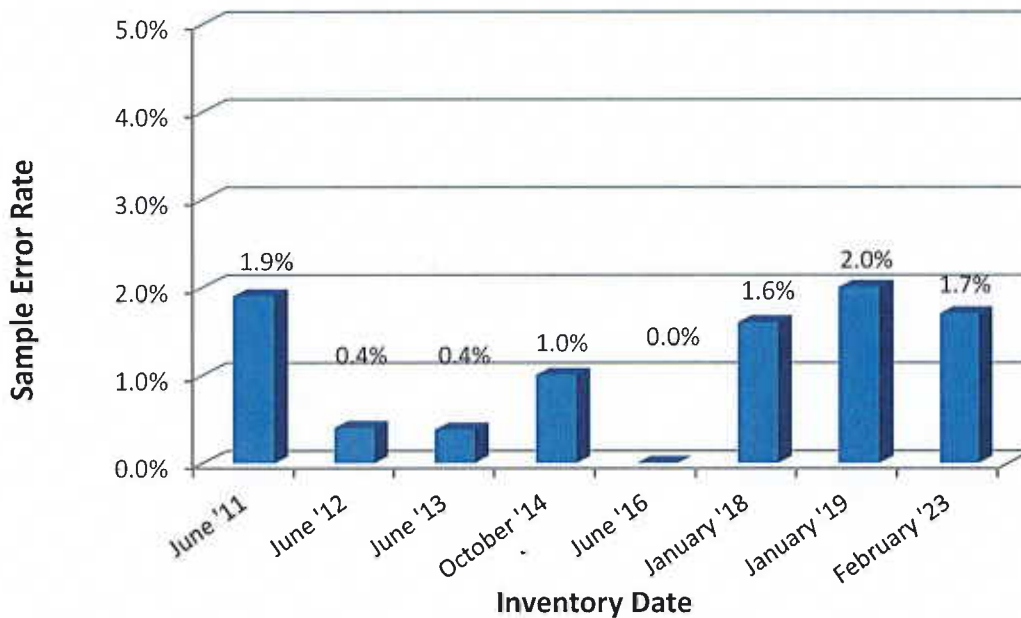


Table I (attached) presents the variance analysis of the statistical sample selection for those items in which a variance exists. It demonstrates individual variances between actual physical counts and quantities recorded in the perpetual records, and presents positive and negative variances separately. Additionally, the table includes the net variance.

When OPI extends the sample error rate of 1.7% to the population of 2,691 different stock items, the projection indicates that the actual number of errors in the population of stock items is in the range of 14 to 143 item types. When comparing the current error rate of 1.7% to the prior error rate of 2% in 2019 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, 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  
 Bureau of Buildings and Parks  
 Stockroom Inventory – February 24, 2023  
Schedule of Inventory Variances Only

Stock Number	Part Description	Booked Quantity On Hand	Actual Quantity Counted	Item Count Variance		Unit Cost	Dollar Variance	
				Over	Short		Over	Short
90031	Tyvek Shoe Covers	2,199	2,112		87	\$ 1.00		-\$87.00
49078	Steel Wood Pads #3	53	54	1		0.25	\$ 0.25	
50176	Trash Bags 33 gal	37	39	2		31.12	62.24	
		<u>2,289</u>	<u>2,205</u>	<u>3</u>	<u>87</u>		<u>\$62.49</u>	<u>-\$87.00</u>
Net Variance .....								<u>-\$24.51</u>



**To:** Timothy R. Weir, Director Office of Public Integrity  
**From:** Richard J. Perrin, Commissioner of Environmental Services **RP**  
**Date:** March 28, 2023  
**Subject:** Bureau of Buildings and Parks

I have reviewed the report prepared by the Office of Public Integrity (OPI) for the annual physical inventory of the Bureau of Buildings and Parks, Division of Building Services that was conducted on February 24, 2023.

As noted in the report, adequate control over the inventory has continued to be maintained by Division of Building Services' personnel. This is reflected in the observed variance rate of 1.7% between the physical counts and the quantities recorded in the perpetual records, which is within the generally accepted threshold for an inventory commensurate with that maintained and managed by the Division of Building Services.

Please be assured that, per the recommendation of OPI, the Department of Environmental Services (DES) will continue to make inventory control a priority in the Division of Building Services and within the other bureaus of DES. Thank you for your continued work in ensuring that the Department is following the proper policies and procedures.

**Cc:** Brian Liberti, Director of Buildings and Parks  
Marvin Parker, Jr., Manager of Building Services

