

DEPARTMENT OF ENVIRONMENTAL SERVICES  
EQUIPMENT SERVICES DIVISION  
STOCKROOM REVIEW OBSERVATION

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Distribution: Lovely Warren, Mayor  
Dr. Cedric Alexander, Deputy Mayor  
Norman Jones, Commissioner/DES  
Tim Curtin, Corporation Counsel

Office of Public Integrity  
Date: March 14, 2018

## I. EXECUTIVE SUMMARY

The Office of Public Integrity (OPI) performed a surprise count of inventory items in the Department of Environmental Services, Bureau of Operations and Parks, Equipment Services Division auto parts stockrooms on January 10, 2018. The results of the review indicate that Equipment Services maintains adequate inventory control.

- ◆ The Office of Public Integrity noted variances in 1.6% of our sample selection indicative of differences between the physical counts and the quantities recorded in the perpetual records.

## II. BACKGROUND, OBJECTIVES, AND SCOPE

### A. Assignment

The Office of Public Integrity routinely performs inventory reviews of the various City stockrooms. Usually, these are done in conjunction with the department's annual physical inventory. This was the first time that OPI performed a surprise count of inventory items in the Department of Environmental Services' Equipment Services Division.

### B. Background

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

As of January 10, 2018, the total value of all storerooms maintained by the Equipment Services Division of the Department of Environmental Services was \$812,475.12. The inventory is comprised of four storerooms: main auto parts, tire room, machine shop, and police auto parts. The main auto parts inventory is comprised of 4,089 line items valued at \$735,118.94, the tire inventory is comprised of 115 line items valued at \$56,892.63, the machine shop is comprised of 190 line items valued at \$11,682.99 and the police auto parts storeroom is comprised of 28 items valued at \$8,780.56.

Stockroom personnel use an automated inventory system that assists in controlling quantities and providing various types of information. Equipment Services installed this system in August 2002. A perpetual inventory record is an essential feature of this system.

### C. Objective and Scope

The objectives of this review were to assess the effectiveness of inventory controls and the accuracy of the perpetual inventory system for items stored in the main auto parts storeroom, tire room, and police auto parts storeroom. We did not include the machine shop inventory as part of this review because this stockroom consists mainly of metal items that, for simplicity and materiality, are inventoried by approximate length rather than actual length.

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). 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 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 review indicate that Equipment Services maintains adequate control over the inventory.



A. Variance Analysis

OPI selected a statistical sample of items included in the main auto parts, tire room and police auto parts stockroom inventories. 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 \$0.01 to \$10,000.00. OPI compared the actual count of each of these selected items to perpetual records and noted any variances.

Of the 193 inventory items tested in the sample, we noted 3 variances. This represents a sample error rate of 1.6%.

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 1.6% to the entire population of 4232 different stock items, the projection indicates that the actual number of errors in the population is in the range of 25 to 212 item types. It appears that, based on the results of the sample selection, Equipment Services personnel maintain adequate control over the stockroom inventory.

◆ Recommendation

Equipment 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  
 Equipment Services Division  
 Stock Room Review – January 10, 2018  
 Variance Analysis – Main Auto Parts Storerooms  
 Schedule of Inventory Variances Only

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Stock Number	Part Description	Booked	Actual	Item Count Variance		Unit Cost	Dollar Variance	
		Quantity On Hand	Quantity On Hand	Over	Short		Over	Short
DBF716C	7/16" HSS Drill Bit	5	6	1	0	13.46	\$13.46	
T2030814	Male JIC Hose Fitting	3	2		1	3.73		\$ -3.73
1MNJ6	Reducing Bushing	<u>1</u>	<u>2</u>	<u>1</u>	<u>0</u>	<u>1.24</u>	<u>1.24</u>	
		<u>9</u>	<u>10</u>	<u>2</u>	<u>1</u>		<u>\$14.70</u>	<u>\$ -3.73</u>
Net Variance .....								<u>\$10.97</u>




## City of Rochester

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Norman H. Jones  
Commissioner



To: Daniel Mastrella, Office of Public Integrity  
From: Norman H. Jones, Commissioner   
Date: March 12, 2018  
Re: **DES/Equipment Services Stockroom Inventory Audit**

I have reviewed the audit report that was prepared by the Office of Public Integrity.

I concur with OPI's assessment that Bureau of Equipment Services stockroom personnel have maintained adequate inventory control. Equipment Services will work to identify causes of the variance and identify opportunities to improve our processes.

Please be assured that the Department of Environmental Services will continue to make inventory control a priority. Thank you for your continued work in ensuring that the department has appropriate management controls in place.

cc: Joe Ladelfa  
Scott Corser

