

DEPARTMENT OF ENVIRONMENTAL SERVICES  
BUREAU OF WATER  
STOCKROOM INVENTORY OBSERVATION

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

Office of Public Integrity  
Date: 12/26/2023  
Contact: Kara Makely  
Phone: 428-6061

## I. EXECUTIVE SUMMARY

The Office of Public Integrity (OPI) observed the annual physical inventory of the Department of Environmental Services (DES), Bureau of Water on October 27 and 28, 2023. This inventory includes the Water stockroom, the Street Lighting stockroom, the Department of Recreation and Human Services (DRHS), Bureau of Recreation inventory and the DES Cemeteries inventory maintained by the Bureau of Water. The results of the inventory indicate that the Bureau of Water maintains adequate inventory control.

- ◆ OPI did not note any variances in the sample selection of Water stockroom inventory items indicative of the differences between the physical counts and the quantities recorded in the perpetual records. This represents a sample error rate of 0%. The previous inventory resulted in a sample error rate of 0%.
- ◆ OPI noted twelve variances in the Street Lighting stockroom inventory items indicative of differences between the physical counts and the quantities recorded in the perpetual records. This represents a true error rate of 2.1%. In the previous inventory, we noted an error rate of 1.2%.
- ◆ OPI noted two variances in the sample selection of DRHS, Bureau of Recreation inventory items indicative of differences between the physical counts and the quantities recorded in the perpetual records. This represents a sample error rate of 1.2%. In the previous inventory, we noted a sample error rate of 2.9%.
- ◆ OPI did not note any variances in the DES, Cemeteries inventory items. This represents a true error rate of 0%. This stockroom has maintained a 0% variance rate for each inventory since 2013.

## II. BACKGROUND, OBJECTIVES, AND SCOPE

### A. Assignment

The Office of Public Integrity routinely observes and participates in annual physical inventories of various City stockrooms to ensure the accuracy of the inventory counts and to evaluate internal controls in the inventory maintenance process independently. The Bureau of Water conducted its annual physical inventory of the Water, Street Lighting, Bureau of Recreation, and Cemeteries stockrooms on October 27 and 28, 2023. OPI participated in these counts at the request of the Department of Environmental Services.

B. Background

The Materials and Equipment unit of the Director's Office stores and manages an inventory of supplies and materials necessary to operate and maintain the water distribution system. As of October 27, 2023, the inventory consisted of 3,752 line items valued at \$ 5,500,398.

In 2007, City management transferred the Street Lighting unit from the Bureau of Water to the Bureau of Architecture and Engineering. However, the Materials and Equipment unit of the Bureau of Water continues to store and manage the street lighting inventory of supplies and materials. The Street Lighting unit oversees the City's street lighting system. As of October 27, 2023, the inventory consisted of 567 line items valued at \$2,484,311.

In June 2008, City management transferred the DRHS, Bureau of Recreation stockroom to the Materials and Equipment unit of the Bureau of Water. As of October 27, 2023, this inventory consisted of 1,284 line items valued at \$474,311.

In January 2013, the Bureau of Water began storing Cemetery inventory items in their warehouse. As of October 27, 2023, the Cemetery inventory consisted of 190 items valued at \$112,985.

Bureau of Water 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 recommendations presented in this report includes the more significant areas 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

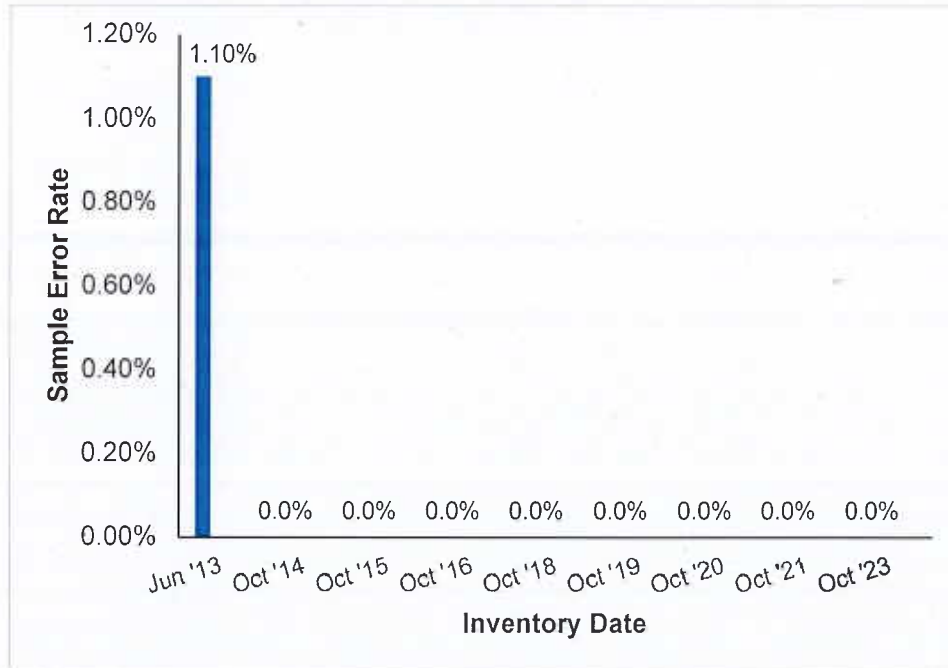
The results of this physical inventory indicate that Water Bureau personnel have continued to maintain adequate control over the inventories.

#### A. Variance Analysis - Water Stockroom

The Office of Public Integrity participated in all recounts of the items included in the stockroom inventory. The range of unit costs included in the inventory extends from \$0.01 to \$22,326. OPI compared the actual count of each of these items to perpetual records.

Of the 179 inventory items selected, OPI did not note any variances. The sample error rate is therefore 0%. The following graph presents historical error rates as a reference.

Bureau of Water  
Water Stockroom Inventory  
Sample Error Rate Percentages



When OPI extends the sample error rate of 0% to the entire population of 3,752 different stock items, the projection indicates that the actual number of errors in the population is in the range of 0 and 109 stock items. When comparing the current error rate of 0% to the prior error rates of 0% in the previous seven audits, it appears that, based on the results of the sample selections, Bureau of Water personnel have continued to maintain adequate control over the stockroom inventory.

**B. Variance Analysis - Street Lighting Stockroom**

Due to the relatively small number of street lighting inventory line items, OPI examined 100% of the inventory rather than selecting a statistical sample. As a result, the error rate noted represents the true error rate in the population of street lighting inventory items. The range of unit costs in the inventory extends from \$0.13 to \$20,257. The Office of Public Integrity compared the actual count of each of these items to perpetual records.

Of the 567 line items in the street lighting inventory, OPI noted twelve variances. The true error rate is therefore 2.1%. This variance is higher than the 1.2% error rate noted in 2021. The variance was 0% in 2020, 2019, 2018, 2016 and 2015. The following graph presents historical error rates as a reference.

Bureau of Water  
Street Lighting Stockroom Inventory  
Inventory Variance Error Rate Percentages

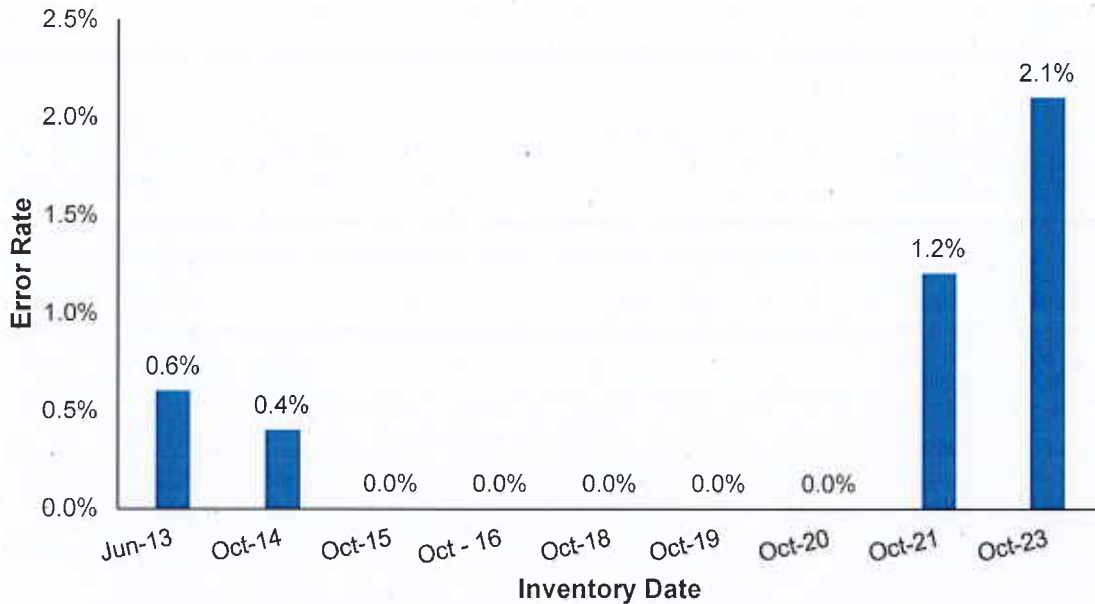


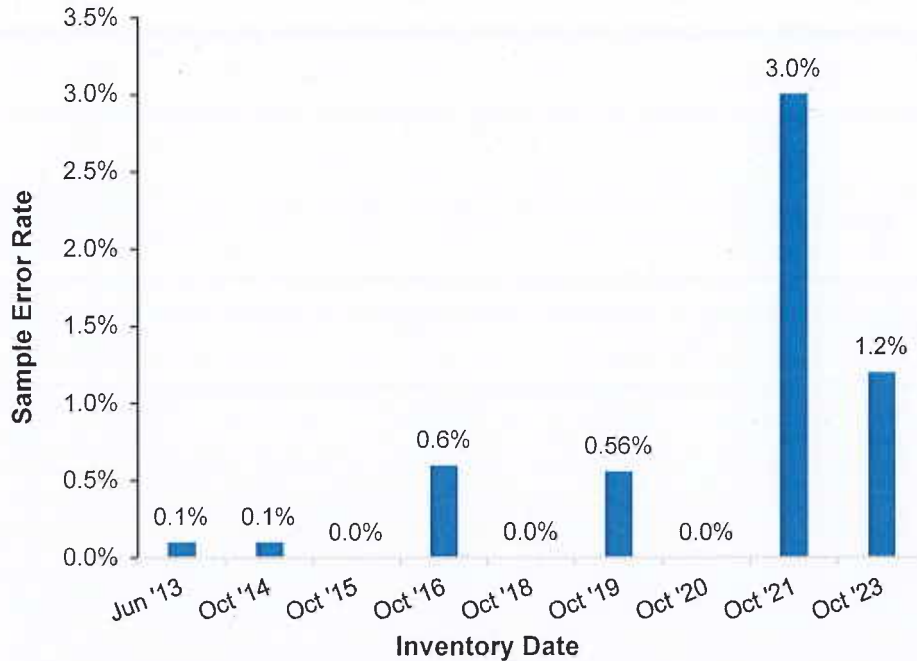
Table I, attached, presents the variance analysis of those items in which a variance exists. It demonstrates individual variances between actual physical counts and quantities recorded in the perpetual records, and presents positive and negative variances separately. Additionally, the table includes the net variance. To eliminate counting errors, Bureau of Water 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.

**C. Variance Analysis – DRHS Stockroom**

The Office of Public Integrity selected 164 items included in the DRHS Recreation stockroom inventory. The range of unit costs included in the DRHS inventory extends from \$0.08 to \$ 2,049.00. OPI compared the actual count of each of these items to perpetual records.

Of the 164 inventory items tested in the sample, OPI noted two variances. The sample error rate is therefore 1.2%. The following graph presents historical error rates as a reference.

Bureau of Water  
DRHS Stockroom Inventory  
Inventory Variance Error Rate Percentages



When OPI extends the sample error rate of 1.2% to the entire population of 1,284 different stock items, the projection indicates that the actual number of errors in the population is in the range of 13 and 68 stock items.

When comparing the current error rate of 1.2% to the prior error rates of 3% in 2021 it appears that, based on the results of the sample selections, the variance has decreased. Bureau of Water personnel continue to make inventory control a priority.

Table II, 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 of Water 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.

D. Variance Analysis - Cemeteries Inventory

Due to the relatively small number of cemetery inventory line items, OPI examined 100% of the inventory rather than selecting a statistical sample. As a result, the error rate noted represents the true error rate in the population of cemetery inventory items. The range of unit costs included in the sample extends from \$0.31 to \$1,808.00. OPI compared the actual count of each item to perpetual records.

Of the 190 line items, OPI did not note any variances. The true error rate is therefore 0%. This stockroom has maintained a 0% variance rate for each inventory conducted since 2013.

◆ Recommendation

Bureau management should continue cycle counts throughout the year and 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 Water  
 Street Lighting Stock Room Inventory – October 27, 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
1L813	Refractor – Glass Res Lum	58	57	0	1	\$ 122.50	\$ 0.00	-122.50
7X502	Fixt Med Led Cyclone	3	2	0	1	1,846.72	0.00	-1846.72
7X550	Fixt Oden 36W LES w/ sf	3	2	0	1	1,026.81	0.00	-1026.81
0L107S	70H Mogul	580	560	0	20	15.02	0.00	-300.40
1L4SI	Ballast Kit 1001-1	26	5	0	21	427.00	0.00	-8967.00
5L014	Pole Frp w/o shroud 14' Oval	84	82	0	2	750.00	0.00	-1500.00
5L241	Shroud 1pc. Fiberglass Sloped	15	0	0	15	55.00	0.00	-825.00
7X302	LED 30 W Phillips G2	79	88	9	0	109.93	989.37	0.00
5L001G	Shroud 2 pc. Black	100	101	1	0	40.00	40.00	0.00
7X551	Fixt Oden 107W LED w/ Sf	10	5	0	5	1,277.03	0.00	-6,385.15
1L015R	Lum 150H Res Blk Rebuilt	7	5	0	2	306.40	0.00	-612.80
4L160	Frame RG&E	42	39	0	3	58.00	0.00	-174.00
		<u>1,007</u>	<u>946</u>	<u>10</u>	<u>71</u>		<u>\$1,029.37</u>	<u>-\$21,760.38</u>
Net Variance.....								<u>-\$20,731.01</u>

TABLE II: Department of Environmental Services  
 Bureau of Water  
 DRHS Stock Room Inventory – October 27, 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
320009	Sodium Bicarbonate 50 lb bag	10	0	0	10	\$23.40	\$ 0.00	-\$234.00
010245	Table Runner Plastic 40x100 Blue	<u>9</u>	<u>10</u>	<u>1</u>	<u>0</u>	29.68	<u>29.68</u>	<u>0.00</u>
		<u>19</u>	<u>10</u>	<u>1</u>	<u>10</u>		<u>\$29.68</u>	<u>-\$234.00</u>
Net Variance.....								<u>-\$204.32</u>



## City of Rochester

Department of Environmental Services  
City Hall Room 300B, 30 Church Street  
Rochester, New York 14614-1290  
<https://www.cityofrochester.gov>

Richard Perrin, AICP  
Commissioner

**To:** Timothy R. Weir, Director Office of Public Integrity  
**From:** Richard J. Perrin, Commissioner of Environmental Services *RP*  
**Date:** December 19, 2023  
**Subject:** DES Bureau of Water Stockroom Inventory Observation

I have reviewed the report prepared by the Office of Public Integrity (OPI) for the annual physical inventory of the Department of Environmental Services (DES) Bureau of Water that was conducted on October 27-28, 2023.

As noted in the report, adequate control over the inventory continues to be maintained by the DES Bureau of Water personnel. This is reflected in the observed variance rates between the physical counts and the quantities recorded in the perpetual records for DES Water, DES Street Lighting, Department of Recreation and Human Services Bureau of Recreation, and DES Cemeteries, which are within the generally accepted threshold for an inventory commensurate with that maintained and managed by the DES Bureau of Water.

Please be assured that, per the recommendation of OPI, the DES Bureau of Water will continue to make inventory control a priority. Thank you for your continued work in ensuring that the Department is following the proper policies and procedures.

Cc: Geoff Gugel, DES Water – Director of Water  
Lisa M. Cichocki-Lalka, DES Water – Materials, Equipment, Fleet, and Facilities Coordinator

