OFFICE OF THE COUNTY AUDITOR

Haskell N. Arnold, CPA
County Auditor

MEMORANDUM

October 31, 2011

MEMO TO: Ira Levy, Director
Department of Technology and Communication Services

Stanley Milesky, Director
Department of Finance

THRU: Haskell N. Arnold
County Auditor

FROM: S. Ali Shirazie
Assistant County Auditor

SUBJECT: Annual Physical Inventory - FY 2011
Radio Shop

The Office of the County Auditor observed and assisted in the Radio Shop annual inventory on July 8, 2011. Radio Shop personnel had counted the inventory on the previous day and staff from the Bureau of Accounting and the County Auditor's office were present to verify the inventory counts.

During the verification process it was determined that there were discrepancies between units of measure used to order inventory versus stocking inventory. Also, some issued items were later returned to the Radio Shop and these items were stocked with the new inventory. Differences between unit costs recorded and unit prices paid were noted. It was decided that the Radio Shop would address these issues and the physical inventory would be scheduled for a later date.

Personnel from the Bureau of Accounting and the County Auditor's office were present for the rescheduled physical inventory on July 29, 2011. The total inventory book value was $602,933.96. We recounted all inventory items with an aggregate value of $2,000 or more amounting to $570,566.26, which was 95% of the book value.

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The final adjustments resulting from the physical inventory totaled $1.731.55, which represents approximately 0.29% of the total inventory value of $601,202.41. We consider this to be an immaterial amount and within acceptable limits.

While verifying the inventory process, we observed a number of items which we were told were obsolete or of little value. We recommend that:

The inventory should be reviewed for obsolete items, which should be written down to the fair market value and/or sold to a third party.

During the inventory process, we also observed discrepancies between unit prices recorded and purchase prices paid. We recommend that:

The unit price for each item recorded in SAP should be verified against the purchase price.

cc: Council Members
Ken Ulman, County Executive
Lonnie R. Robbins, Chief Administrative Officer
Michael Harrod, Wireless Manager, Department of Technology Services
Lois Miller, Administrative Services Officer