



OFFICE OF THE COUNTY AUDITOR

Craig Glendenning, CPA
County Auditor

MEMORANDUM

September 25, 2013

MEMO TO: Lonnie R. Robbins
Chief Administrative Officer

FROM: Craig Glendenning 
County Auditor

SUBJECT: Annual Physical Inventory Review
Fiscal Year Ending June 30, 2013

We have completed a review of the annual physical inventory and internal control procedures at various locations in the County for FY 2013. The locations reviewed were Facilities, Fire, Golf Course, Radio Shop, Recreation & Parks, Utilities, and Fleet - Alpha Ridge, Cooksville, Dayton, Guilford, Mayfield, Ridge Road, and all 13 fuel dispensing locations.

We determined that no year-end inventory count was performed at the Facilities and Recreation & Parks locations. Additionally, while there were few differences between the SAP records and our test counts at most locations, approximately 30% of the items selected for our sample at the Radio Shop had incorrect balances.

A substantial number of items at the Facilities warehouse were not recorded in inventory. Facilities had no formal record of inventory prior to April 2013. Facilities staff performed an inventory count on March 31, 2013 and recorded the results in SAP. However, they neglected to include items that were not purchased by Facilities which had been in stock for an extended period; therefore, the value of the inventory in SAP was inaccurate. We were unable to determine the extent by which the inventory was understated.

We also found the following internal control weaknesses:

- 1) There were no written procedures for personnel responsible for the inventory count to follow. Written procedures should be established and reviewed with personnel responsible for the inventory count prior to their count.

- 2) Personnel responsible for counting the inventory were not separate from those responsible for maintaining and updating the inventory records at all locations except Mayfield and the fuel dispensing locations.
- 3) Personnel responsible for counting the inventory were not prohibited from having daily access to the inventory.

Additionally, the inventory count was completed several days prior to June 30, 2013 for the following locations: Fire, Radio Shop, Utilities, and Fleet - Alpha Ridge, Cooksville, Guilford, and at all 13 fuel dispensing locations. Items may have been received or issued between the date of the inventory and the fiscal year-end.

We also determined that the inventories at the Police Department and the Department of Public Works, Bureau of Highways are not tracked in SAP. The inventory at these locations should be counted and included in SAP.

If you have any questions or need additional information, please don't hesitate to contact me.

cc: Council Members
Ken Ulman, County Executive
Stanley Milesky, Director of Finance