Metropolitan Water Board
Asset Inventory Audit Report

Introduction

The Audit Division conducted a review of the Metropolitan Water Board (MWB) asset inventory. Inventory reports were provided to us by the Division of Purchase and the Department of Information Technology (IT) Office of Automation. These reports contain personal property/fixed assets and computers and peripherals. We compared the inventory reports to the MWB asset inventory and, in selected cases, to MWB physical assets.

I. **Overview**
The Division of Purchase is charged, as provided in the in the Onondaga County Charter Administrative Code, section 3.06 Division of Purchase; Purchasing Director; Appointment; Term; Powers and Duties (d) to "be responsible,…., for the maintenance of all current inventories of materials, supplies, and equipment owned by or otherwise within the jurisdiction of the county government and maintain such records of use and maintenance thereof as may be appropriate," and (e) to "transfer materials, supplies and equipment among departments and other units of County government as required…."

To fulfill these responsibilities, an automated database management and reporting mechanism was established by the Division of Purchase. The administration of the database and reports resides with the Materials Management Coordinator in the Division of Purchase.

The ultimate responsibility for the use, maintenance, upkeep of all properties and supplies continues to be in the hands of the MWB management and administration.

II. **Methodology/Background**
Based on the Introduction section of the County of Onondaga Division of Purchase Materials Management Program Policy and Procedure Manual, the following criteria is the basis for classifying items as personal property:

- Non-consumable equipment with a life expectancy of greater than 2 years
- Purchase cost of greater than $500

In addition, certain items by nature of their size, use, or other factors, are determined to be "sensitive" and are included in this system. Examples of such items are photographic equipment, media and recording equipment, computer equipment or peripherals and weapons.

We developed audit procedures to determine compliance with the Materials Management Program Policy and Procedure Manual, as well as, the internal controls in place to safeguard County owned personal property/fixed assets.

III. **Audit Objectives**
  ➢ Determine accuracy of the Master Personal Property/Fixed Asset Listing maintained by the Division of Purchase for the Metropolitan Water Board.
  ➢ Determine if the Metropolitan Water Board has adequate internal controls in place to safeguard County owned assets and inventories.
  ➢ Determine compliance with the Materials Management Program Policy and Procedure Manual, as well as, local, State or Federal regulations.

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Findings and Recommendations

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IV. **Findings**
  1) The Metropolitan Water Board (MWB) is not using the County of Onondaga Division of Purchase Materials Management Program Policy and Procedure as a reference guide.

Discussion with MWB Management and staff indicated they were unaware of the Materials Management Program Policy and Procedure Manual (Manual). They indicated they were never informed about or provided with a copy of the Manual. During the course of the audit we provided MWB staff with a copy of the 2005 Manual.

We recommend in the future the MWB management and staff go to the Community Folder, PU-Purchasing, Materials Management to access the Manual, including all supporting documents, and any revisions for future reference.

2) Both the Division of Purchase and the MWB are materially non-compliant with the Manual because periodic physical inventory counts are not being conducted of County owned personal property/fixed assets.

Discussion with the MWB management and staff indicated the last extensive inventory was done in 2011. They also indicated the last Fixed Asset Listing they received from the Division of Purchase was 2 years ago. The MWB Storekeeper is currently using this two year old listing to track personal property inventory (general office purchases). The MWB Storekeeper said he used to receive a printout of the location, item description and Asset ID tag# along with the tags from the Division of Purchase. He said he is not receiving the printout anymore and not always receiving the Asset ID tags and the Asset ID tags he does receive now have no bar code.

We recommend a periodic physical inventory be conducted by the MWB in conjunction with the Division of Purchase to ensure the accuracy of the listing of Personal Property/Fixed Assets within the department from the database maintained by the Division of Purchase. Any discrepancies between the physical counts and the report should be investigated and rectified.

3) It appears MWB does not obtain other reports available from the Division of Purchase to ensure accuracy of personal property/fixed asset listings maintained by the Division of Purchase.

Other reports are available such as *Items Unaccounted for at Inventory Survey, Personal Property/Fixed Assets Added to Department Inventory and Personal Property/Fixed Assets Deleted from Department Inventory,* both on an as needed basis. The additional available reports are not being requested by the MWB to further ensure accuracy of items on the Master List maintained by the Division of Purchase.

We recommend MWB request the other reports available from the Division of Purchase to further ensure accuracy of items on the Master List maintained by the Division of Purchase.

4) For certain supplies and equipment the MWB Storekeeper orders, approves vouchers, tracks; and receives the items.

We recommend MWB separate the duties for the above processes to improve controls and help reduce the risk of potential errors and theft.

5) a. We selected a random sample of 24 items from the MWB Master Inventory Listing provided by the Division of Purchase and a random sample of 17 items from the IT Inventory Listing for MWB and attempted to locate the physical assets (the items listed could overlap.). We noted the following:

- One item from the list was purchased by WEP and installed at the WEP Henry Clay Maintenance Facility.
- 2 items tested were at a different location than the one noted on the MWB Master Inventory Listing provided by the Division of Purchase.
- 1 item tested had no location noted on the MWB Master Inventory Listing provided by the Division of Purchase, but was located at the MWB Alexander F. Jones Administration Center, Clay, NY Facility.
- 2 items tested were at the location noted on the IT Inventory Listing, however, the person using the item is different than the one noted on the IT Inventory Listing.
- We were told the frame and housing from one item were used on the replacement and the remainder dismantled and thrown away, one item was demolished under tank construction, and another item the Water Systems Manager at the Alexander F. Jones Administration Center, Clay, NY told us it went to auction but there was no paper trail
- 6 items tested had no Asset ID tag.
- 3 items tested were not properly included in the IT Office Automation Charges Inter-Departmental Billing for the month ending 12/31/2013.
- 4 of the items tested which were noted as replaced or auctioned were not properly excluded from the IT Office Automation Charges Inter-Departmental Billing for the month ending 12/31/2013.

b. We selected a random sample of 12 non IT and 12 IT items at the MWB sites and attempted to locate them on the MWB Master Inventory Listing provided by the Division of Purchase and IT Inventory Listing for MWB. We noted the following (the items listed could overlap):

- 9 items tested at the MWB sites were not on the MWB Master Inventory Listing provided by the Division of Purchase. Therefore, we were unable to verify when or how the items were acquired by the County.
- 10 items tested had no asset ID tag.
- 1 item tested noted the Purchase Order # listed on the MWB Master Inventory Listing provided by the Division of Purchase but could not be traced to the FAMIS Accounting System (Purchase May 2001).
- 1 item tested had a cost on the MWB Master Inventory Listing provided by the Division of Purchase that was less than the cost listed in the FAMIS Accounting System.
- 1 item tested was found on the IT Inventory Listing with no location noted.
- 4 of the items tested could not be traced to the IT Inventory Listing. Therefore, we were unable to verify when or how the items were acquired by the County.
- 1 item tested showed the person using the item is different than the one noted on the IT Inventory Listing.
- 4 of items tested had no asset ID tag.
- 1 of item tested could not be traced to the Item Description in the Purchase Order on PeopleSoft.

- For 1 item tested the serial # did not match the serial # on the IT Inventory Listing. The number on the IT Inventory Listing agrees to the System Service Tag # on the Dell Invoice.
- 6 items tested were not properly included in the IT Office Automation Charges Inter-Departmental Billing for the month ending 12/31/2013

c. The Water Systems Manager at the Alexander F. Jones Administration Center, Clay, NY mentioned a lot of recycled items involving metals go to the metals or copper recycle bins and sold. The proceeds are returned to MWB. The Water Plant Manager at the Water Treatment Plant, Oswego, NY stated in the past he has gathered items for scrap metal. The items are given to a metal recycler and MWB-Owego receives a check in return. A copy of the check is made, the original is sent to the MWB Alexander F. Jones Administration Center, Clay, NY who sends it to the Finance Office in the Civic Center.

For the findings in 5a-c, we recommend a complete physical inventory be conducted by MWB, Division of Purchase, and IT. Any discrepancies between the physical counts and Master Listings from the Division of Purchase and IT should be investigated, rectified, and the inventory databases updated accordingly.

We recommend in the future disposal through recycling, waste disposal, removal by a contractor as part of a repair or replacement, or any other disposal of assets be coordinated by the Materials Management Coordinator to comply with the Personal Property Asset Transfer/Disposal Section, 4.e., page 12 of the Manual and be properly documented. In addition, Asset ID tags should also be affixed to each asset to properly safeguard County Assets.

6) The MWB Master Inventory Listing provided by the Division of Purchase notes items with a physical location other than MWB facilities.

During the complete physical inventory noted in the recommendation for findings 5a-c above, the location of these assets should be investigated and any discrepancies should be corrected.

7) The Computer Inventory Listing maintained by MWB has 24 items listed. The IT Office Automation Charges Bill as of 12/31/13 lists 28 items.

The IT Inventory Listing, in addition to including replaced and auctioned items, includes items not on the IT Office Automation Charges Bill and MWB Inventory listing.

In addition to Findings 5 and 6, the following discrepancies were noted from a review of the IT Office Automation Charges Bill as of 12/31/13:

- The bill includes the SCADA (Supervisory Control & Data Acquisition) machines housed at the Clay and Oswego Offices, but IT does not service these machines because the machines were purchased by MWB.
- Asset ID# 7517 Dig Safe desktop is not included on this bill.

We recommend the MWB work with Office Automation to update the computer/peripheral database to accurately reflect and bill for only the equipment utilized by Metropolitan Water Board.

Suggestion of Best Practice

The MWB uses WEP's Maximo Inventory Software License to inventory consumable items and hard fixed assets. A Vehicle/Equipment Maintenance List from Management and Budget is used to track maintenance costs for 2 years. The 2 year old Listing of Personal Property/Fixed Assets from the Division of Purchase is used to track personal property inventory (general office purchases).

There are three different reports used by three different MWB staff to track various types of inventory.

We recommend the Maximo Inventory Software and Vehicle/Equipment Maintenance List be reconciled with the Master Listing from the Division of Purchase to control potential differences.