



**Audit Report
Sheriff Office
Jail and Minimum Security Kitchen
Annual Inventory Audit – FY2015
Status: Final**

For action:

Terry Box

Sheriff

For information:

Jeff May

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County Auditor

First Assistant Auditor

Audit Report
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Report Summary

As part of the End of Year procedures, an inventory audit of the Sheriff Office – Jail and Minimum Security Kitchen was conducted.

The overall objective of the audit was to provide assurance that county assets were intact and accounted for and that internal controls are in place to ensure:

- Inventory recorded in the financial records exist, is accurately reported, and adequately safeguarded
- The operations of the office conform to prescribed procedures
- Exposure to potential risk is minimized

The audit scope included a count of all inventory on hand at the end of the fiscal year and a review of inventory procedures and internal controls.

Refer to the Observations and Recommendations section for the results of the audit.

This review was not intended to provide absolute assurance on all procedures, activities, or controls. We will continue to examine aspects of the office in compliance with statutes and to provide reasonable assurance that County assets are safeguarded and appropriately managed.

An exit conference with the Sheriff was held on 01/06/16 to discuss this report.

The time and assistance provided by the Sheriff Office – Jail and Minimum Security Kitchen in completing this audit is greatly appreciated.

Observations and Recommendations

Observation	Recommendation	Management Response
FINDING NUMBER:		
<p><u>Condition:</u> The perpetual inventory and the physical inventory total values are unequal. We counted 100% of the 227 total items listed on the Justice Center/Kitchen Inventory valued at \$94,447.57. The physical inventory count was less than the perpetual inventory with a variance of \$27,916.57 (171 out of 227 items with discrepancies), leaving the ending inventory balance as \$66,531.02.</p> <p><u>Effect:</u> The perpetual system inventory values may be overstated or understated, depending on the item.</p> <p><u>Cause:</u> Received and dispersed food items have not been entered consistently into the perpetual inventory system creating a difference between the physical count and the perpetual amount.</p> <p><u>Criteria:</u> Measures should be taken to ensure that all authorized inventory transactions are recorded into the inventory system accurately on a timely basis.</p>	<p><u>A. Transaction Required</u> The perpetual inventory should be adjusted to reflect the physical inventory count.</p> <p><u>B. Internal Control Change</u> When food items are received or used, they should be accurately recorded in the perpetual inventory system.</p>	<p><u>A. Response:</u> Inventory system software (AS400) is outdated and has been proven to make many errors when utilized for inventory.</p> <p>Some items required scanning in by the case instead of by the item and not every case contains the same amount of items.</p> <p><u>B. Response:</u> The “opportunity buy system” was not recognized by the system causing an off count of certain items.</p> <p>The previous, no longer employed, kitchen supervisor was found to have inefficient inventory control, incorrect scanning procedures, unused/outdated stock, and did not effectively train staff on inventory techniques.</p> <p>From the attached audit about \$15,000 worth of inventory has been located by CCSO Staff by way of items that were not scanned into the system initially.</p> <p>Since the audit we have found that the inventory numbers in the AS400 system have risen and fallen for no apparent reason. An example would be on 02/19/16, the system indicated 98 cases of sliced potatoes on hand. The correct count was 9 cases. The number rose in the system to 102 cases by 02/06/16. This matter was discussed with purchasing who advised they had no answer for the discrepancy and advised it must have been a software issue.</p>

		<p>Status of Recommendation:</p> <p>More frequent inventory counts. Staff was properly trained on inventory procedures. Storage areas were organized properly. We work more closely with purchasing to recognize software issues quicker. We have changed the way we scan items into and out of the system. For example cases vs. individual items. Purchasing has changed the way we inventory, "opportunity buys", so that the system would recognize them and not get mixed in with regularly ordered items. We believe that the above responses adequately account for the discrepancies found by the auditor. We also believe that the measures taken by staff will improve any future audits.</p>
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