



Robert E. Antonacci II, CPA  
Comptroller

COUNTY OF ONONDAGA

Office of the  
*County Comptroller*

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September 12, 2014

The Honorable County Executive  
The Chair of the County Legislature  
The Commissioner of Social Services  
The Commissioner of Information Technology  
The Chair of the Ways and Means Committee  
The Clerk of the County Legislature  
Chief Fiscal Officer  
The Director of Purchasing

Please find enclosed our report on County Inventory for the Department of Social Services.

As stated in the attached report, non-compliance was noted with the Materials Management Program, Policy and Procedure Manual by both the Department of Social Services and the Division of Purchasing.

Neither the Division of Purchasing nor the Department of Social Services are conducting a periodic physical inventory of County owned personal property/fixed assets to ensure the accuracy of the Division of Purchasing's automated database and investigate discrepancies that may arise.

The Department of Social Services does not track nor have documentation to substantiate whether personal property/fixed assets (excluding computer equipment & peripherals) have been disposed of or whether they should be in service/use.

County barcode labels are not being affixed to personal property/fixed assets as prescribed by the Materials Management Program, Policy and Procedure Manual. In particular, sensitive items such as a Vizio 47" class LCD 1080p 60hz HDTV purchased during 2012, which is still in the original packaging. Also, several stacks of new computers were located in a locked computer room on the 15<sup>th</sup> floor of the Civic Center. The computers were still in their original packaging but the only identification noted on the items were handwritten County ID numbers on the boxes. The Office of Automation did not affix County ID tags to the actual items inside the box.

Our report details our recommendations to correct the issues of non-compliance and lack of controls. The Department of Social Services has responded to the audit and the response is attached to the Audit Report.

Sincerely,

Robert E. Antonacci, CPA  
REA/nlc  
enclosures



# Department of Social Services

## Inventory Audit

### Introduction

The Audit Division conducted a review of the Department of Social Services Fixed Asset Inventory. Inventory reports were provided by the Division of Purchase as well as from the Department of Information Technology (IT) Office of Automation. The inventory reports were compared to the Departmental of Social Services IT for accuracy. These reports contained Personal Property/Fixed Assets and Computer and Peripherals.

#### I. Overview

The Division of Purchase is charged, as provided in the Onondaga County Charter Administrative Code, section 3.06 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 therefor as may be appropriate,” and 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 will be used that reduces redundancy and paperwork. The administration of the database and reports will reside in the position of 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 department management and administration.

#### II. Methodology/Background

Based on the Introduction section of the 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, will be determined to be “sensitive” and will be included in this system. Examples of such items are photographic equipment, media and recording equipment, computer equipment or peripherals and weapons.

Audit procedures were developed to determine compliance with the Materials Management Program, Policy and Procedure Manual as well as the internal controls in place to safe guard 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 Department of Social Services.
- Determine if the Department of Social Services 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.

<b>Personal Property/Fixed Assets (excluding computers/peripherals) Findings</b>
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#### **IV. Finding 1.0**

##### Criteria:

Per Materials Management Program, Policy and Procedure Manual, page 7, Periodic Inventory section, in order to properly manage items and the automated database system, it will be necessary to perform periodic inventories of all items involved in the Materials Management Program. Such inventory shall be done no less than once per calendar year. A schedule of physical inventory surveys to be performed, by month, will be developed by the Materials Management Coordinator and sent to the respective departments no later than January 15 of each year. On the scheduled day(s) and time(s), the physical inventory survey will be done, through cooperation between the Materials Management Coordinator, or other Purchase staff, and the respective department inventory representative.

##### Condition

Both the Division of Purchasing and the Department of Social Services are materially non-compliant with the Materials Management Program Policy and Procedure Manual. Periodic physical inventory counts are not being conducted of County owned personal property/fixed assets.

Cause:

Discussions with the Department of Social Services management and staff indicated the Department does receive a Fixed Asset Listing on an annual basis from the Division of Purchase, but a physical inventory is not conducted to ensure the accuracy of the Fixed Asset Listing.

Recommendation:

A periodic physical inventory should be conducted to by the Department of Social Services in conjunction with the Division of Purchase to ensure the accuracy of the *Listing of Personal Property/Fixed Assets within Department* from the automated database maintained by the Division of Purchasing. Discrepancies between the physical counts and the report should be investigated and rectified.

Finding 2.0

Criteria:

Based on the Materials Management Program Policy and Procedure Manual, the ultimate responsibility for items rests with the Director or Commissioner of the respective departments, it shall be his or her responsibility to examine and verify all information included in the reports provided. Any discrepancies with reported information shall be immediately reported to the Materials Management Coordinator for appropriate action.

Condition:

A Material Internal Control Weakness exists over the safeguarding of County assets. The Department of Social Services does not maintain an inventory listing nor do they obtain available reports from the Division of Purchasing to ensure accuracy of personal property/fixed asset listings maintained by the Division of Purchasing.

Cause:

Currently, the only report received from the Materials Management Coordinator is the *Listing of Personal Property/Fixed Assets within Department* on an annual basis. As stated in the above finding, the report is not being utilized. Other reports are also 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*. The additionally available reports are not being requested to further ensure accuracy of Items on the Master List maintained by the Division of Purchase. In addition, the Department does not internally maintain a listing of personal property/fixed assets.

Recommendation:

A complete physical inventory should be conducted by the Department of Social Services and the Division of Purchasing. Discrepancies between the physical counts and the *Listing of Personal Property/Fixed Assets within Department* should be investigated and rectified and the automated database maintained by Purchasing be updated accordingly. In addition, the Department of Social Services needs to develop and institute internal control policies and procedures to safeguard County owned personal property/fixed assets.

### Finding 3.0

#### Criteria:

Based on the Materials Management Program Policy and Procedure Manual, Reporting section, page 8, the ultimate responsibility for the items rests with the Director or Commissioner of the respective departments, it shall be his or her responsibility to examine and verify all information included in the reports provided. Any discrepancies with reported information shall be immediately reported to the Materials Management Coordinator for appropriate action.

#### Condition:

A material internal control weakness exists. The Department of Social Services management and inventory representative were unsure of the location of several items selected for testing or whether items had been disposed of or transferred to another department.

#### Cause/Condition:

The Department of Social Services does not track nor have documentation to substantiate whether personal property/fixed assets (excluding computer equipment & peripherals) have been disposed of, whether they should be in service/use or which unit or individual items were issued to.

#### Recommendation:

The Department of Social Services needs to put policies and procedures in place to substantiate the disposal, recycling and transfer of County owned personal property and assets. These transactions need to be documented as well in the automated database program maintained by the Division of Purchasing.

### Finding 4.0

#### Criteria:

The Materials Management Coordinator shall provide to each departments inventory representative a bar code label for each item, unique to that item. The department inventory representative shall be responsible for placing the label on the item(s) upon its receipt and notification to the Materials Management Coordinator of this action.

#### Condition:

A Material Internal Control Weakness exists over the safeguarding of County assets. Department's inventory representative(s) are no placing a County inventory tag on personal property/fixed assets.

#### Cause:

To test for completeness of the automated database maintained by the Division of Purchase, four sensitive items on hand in the Departments Administration floor were randomly selected for tracing to the Master Personal Property/Fixed Assets Listing. Eight additional sensitive items from other units in DSS were also tested. Eleven of the

twelve sensitive items did not have a County barcode label affixed nor were they on the Master Fixed Assets Listing. In addition, two other sensitive items were unable to be located due to employees not returning them to their respective units even after being instructed to do so in two separate emails. The items were not on the *Personal Property/Fixed Asset Listing*. Internal Audit was unable to verify the continued existence of these two items.

Recommendation:

The Department of Social Services affixes a County barcode label (obtained from Purchasing) on the items, notify the Division of Purchasing of the items and have them added to the Master Fixed Assets Listing.

Finding 5.0

Criteria:

Per page 6, paragraph b, of the Personal Property/Fixed Asset Identification section of the Materials Management Program Policy and Procedure Manual, the Materials Management Coordinator shall provide to each departments inventory representative a bar code label for each item, unique to that item. The department inventory representative shall be responsible for placing the label on the item(s) upon its receipt and notification to the Materials Management Coordinator of this action.

Condition:

The Department of Social Services is materially non-compliant with the above criteria. County barcode labels are not being affixed to personal property/fixed assets as prescribed by the criteria.

Cause/Condition:

One of twenty-two items judgementally selected as sensitive items for testing was a Vizio 47" class LCD 1080p 60hz HDTV purchased during 2012. Although the item appeared on the automated database maintained by Purchasing, the Department of Social Services initially did not know where the item was due to a lack of a list which contained the specific location. After inquiry with several Department employees the item was located in its original sealed box in a locked storage room on the 8<sup>th</sup> fl. The item did not have a barcode label on the item, nor a county asset number denoted on the outside of the sealed box.

Recommendation:

The Department needs to affix barcode labels to items and develop a procedure to accurately track the specific location of County personal property/fixed assets.

## Computers/Peripherals

### V. Finding 6.0

#### Criteria:

Per page 7, par. c, Personal Property/Fixed Asset Identification section of the Materials Management Program Policy and Procedure Manual, the Office of Automation shall be responsible for the assignment of Asset ID numbers for all computers and peripherals, the production and placement of bar code labels for these items, and also for the entering of all information regarding these computer and peripheral items into the existing computer database.

#### Condition:

The Office of Automation is materially non-compliant with the Materials Management Program Policy and Procedure Manual.

#### Cause/Condition:

During discussions with the Department of Social Services, it was noted several stacks of new computers were located in a locked computer room on the 15<sup>th</sup> floor of the Civic Center. The computers were still in their original packaging but the only identification noted on the items were handwritten County ID numbers on the boxes. The Office of Automation did not affix County ID tags to the actual items inside the box as prescribed by the Materials Management Program Policy and Procedure Manual. The County Tags were provided to the Department of Social Services to affix when the items are issued or put into service. In addition, these items were not on the Department of Social Services computer equipment database.

#### Recommendation:

Office of Automation Section affix County ID tags directly to computer equipment and peripherals in addition to noting the County ID number on the original packing before sending items to the Department of Social Services. Also, items received and not issued should be included in the Department of Social Services computer equipment and peripherals database and designated not issued.

### Finding 7.0

#### Criteria:

Based upon the Materials Management Program, Policy and Procedure Manual, the ultimate responsibility for items rests with the Director or Commissioner of the respective department, it shall be his or her responsibility to examine and verify all information included in the reports provided. Any discrepancies with reported information shall be immediately reported to the Materials Management Coordinator for appropriate action.

#### Condition:

Non-material weakness noted in the Department of Social Services internal database for computers/peripherals.

Cause:

In order to fulfill the above requirement, the Department of Social Services IT staff maintains an internal database which provides detailed information including but not limited to the County ID#, State ID# (if purchased with State/Federal funds), whom the computer is assigned to, as well as the unit and floor the equipment is located. Twenty-two computer items were selected for physical inventory testing. Of the twenty-two items, the location of two computer items were inaccurately identified on the Department's computer inventory list. One involved an employee whose work space had been moved from the 7<sup>th</sup> floor to the 8<sup>th</sup> floor of the Civic Center. The other item was identified as being in accounting on the 4<sup>th</sup> floor when it was physically located in the child support unit on the 4<sup>th</sup> floor.

Recommendation:

Internal controls be developed and implemented by the Department to notify IT staff of equipment relocation.

Finding 8.0

Criteria:

The Materials Management Program, Policy and Procedure Manual considers computer equipment and peripherals that are non-consumable equipment, with a life expectancy of greater than 2 years and a purchase cost greater than \$500 and therefore included in the personal property/fixed asset automated database.

Condition:

A material internal control weakness exists. The Division of Purchase's automated database inaccurately reflects personal property/fixed assets, specifically computer equipment currently owned by the Department of Social Services.

Cause/Condition:

A comparison of the Department of Social Services computer equipment database to the Personal Property/Fixed Asset automated database maintained by the Purchasing Department revealed the automated database inaccurately reflects the computer equipment currently owned by the County. The computer equipment currently utilized by the Department of Social Services is not included in the Purchasing Departments database. The database appears to include computer equipment that the County no longer has in its possession nor retains title too.

Recommendation:

The automated database maintained by the Division of Purchasing, be updated to accurately reflect computer equipment currently on hand with the Department of Social Services.



## Finding 9.0

### Criteria:

Office of Automation calculates and interdepartmentally bills departments on a month by month basis for information technology charges.

### Condition:

A material internal control weakness exists in the billing of Office of Automation charges to the Department of Social Services.

### Cause:

Reconciliation between the Department of Social Services computer database and the Office of Automation database revealed there are approximately 1,687 computer/peripherals on the Office's database as active for the Department of Social Services. In addition, approximately 339 computers/peripherals are included on the I.T Office Automation Charges bill to the Department that have been disposed of by the County.

### Recommendation

Office of Automation, appropriately update their computer/peripheral database to accurately reflect computers/peripherals utilized by the Department of Social Services.



COUNTY OF ONONDAGA

## Department of Social Services-Economic Security

Child Support + Day Care + Fair Hearings + Fraud + HEAP + Medicaid + SNAP + Systems + Temporary Assistance

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**Joanne M. Mahoney**  
County Executive

**Sarah G. Merrick**  
Commissioner

6/16/2014

Mr. Robert E. Antonacci II, CPA  
Onondaga County Comptroller  
14<sup>th</sup> Floor, John H. Mulroy Civic Center  
421 Montgomery Street  
Syracuse, N.Y. 13202

Regarding: Response to Master Personal Property/Fixed Asset Listing

Dear Mr. Antonacci,

The Department of Social Services – Economic Security (DSS – ES) worked in conjunction with the Comptroller’s Department to assist in determining the accuracy of physical inventory counts as well as operational procedures included in this endeavor. We always welcome recommendations for improving our processes and utilizing best practices implemented in other areas of County government. The following corrective measures are under development and implementation as a result of your recommendations:

**Finding 1.0 – Both the Division of Purchasing and the Department of Social Services are materially non-compliant with the Materials Management Program Policy and Procedure Manual.**

Response: Physical inventory data is being collected by the Director of Administrative Services to match to the *Listing of Personal Property/Fixed Assets*, maintained by the Division of Purchase, any discrepancies will be investigated and rectified.

**Finding 2.0 – A Material Internal Control Weakness exists over the safeguarding of County assets. The Department of Social Services does not maintain an inventory listing nor do they obtain available reports from the Division of Purchasing to ensure accuracy of personal property/fixed asset listings maintained by the Division of Purchasing.**

Response: Duplicate copies of inventory orders are delivered to the stock room for matching received goods and distribution to the correct division. Supplies stored on individual DSS - ES floors as well as the stock room are maintained in a secure area. One point person in each division obtains approval for purchase of inventory items from their Director and the Commissioner. Safeguarding and accountability for County property is in place.

Internal procedures will be implemented for an up to date and accurate inventory list by DSS- ES to be matched with the Master list in Purchasing. Requests for all available Inventory reports from Purchasing will be made on a monthly basis. Differences in the list will be communicated to Purchasing for additions, deletions and auction items in a timely manner.

DSS - ES is in the process of developing and implementing a Computerized Inventory System. This will allow for accountability, accuracy and integrity of all property items.

**Finding 3.0 - A Material Internal Control Weakness exists. The Department of Social Services management and inventory representative were unsure of the location of several items selected for testing or whether items had been disposed of or transferred to another department.**

Response: A limited amount of items were not tracked properly. Items are not disbursed without regard. The majority of inventory items were located in the correct division. There is a weakness in documentation of the delivery of goods and distribution. Procedures will be put in place to track distribution to employee, location of item, transfer of ownership and disposals.

**Finding 4.0 – A Material Internal Control Weakness exists over the safeguarding of County assets. Departments’ inventory representative(s) are not placing a County inventory tag on personal property/fixed assets.**

Response: County policy is not being adhered to and needs to be corrected. The DSS - ES will work with the Division of Purchasing to determine which County property items need bar codes. Also, DSS - ES will put in place a procedure to address the tracking, documentation, and distribution of inventory items requiring tags.

Bar code labels will be affixed to appropriate County property items and will be tracked in a Computerized Inventory System. Any deviation (transfer, disposal, recycled, etc.) will be communicated to the Division of Purchasing for maintaining accuracy.

**Finding 5.0 - The Department of Social Services is materially non-compliant with the above criteria. County barcode labels are not being affixed to personal property/fixed assets as prescribed by the criteria.**

Response: County policy is not being adhered to and needs to be corrected. The DSS - ES will work with the Division of Purchasing to determine which County property items need bar codes. Also, DSS - ES will put in place a procedure to address the tracking, documentation, and distribution of inventory items requiring tags.

Bar code labels will be affixed to appropriate County property items and will be tracked in a Computerized Inventory System. Any deviation (transfer, disposal, recycled, etc.) will be communicated to the Division of Purchasing for maintaining accuracy.

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**Finding 6.0 – The Office of Automation is materially non-compliant with the Materials Management Program Policy and Procedure Manual.**

Response: DSS- ES Systems staff will ensure all received equipment is affixed with a County tag number and logged in our computer inventory.

**Finding 7.0 – Non-material weakness noted in the Department of Social Services internal database for computers/peripherals.**

Response: Procedures will be put in place to notify DSS - ES Systems staff of all moves and changes for computer equipment and peripherals, subsequently new locations will be recorded.

**Finding 8.0 – A Material Internal Control Weakness exists. The Division of Purchase's automated database inaccurately reflects personal property/fixed assets, specifically computer equipment currently owned by the Department of Social Services.**

Response: The DSS - ES will send internal master listings monthly to the Division of Purchase so any and all adjustments can be made.

**Finding 9.0 - A Material Internal Control Weakness exists in the billing of Office of Automation charges to the Department of Social Services.**

Response: The DSS - ES will send internal master listings monthly to the Office of Automation so any and all adjustments can be made, ensuring proper billing will occur for only those items in use.

I would like to thank you for your recommendations. Please feel free to contact me if you should need any further information or explanation.

Sincerely,



Sarah G. Merrick  
Commissioner  
Department of Social Services – Economic Security

Cc: Ann Rooney