

# **Equipment Services – Central Stores Annual Inventory Count 2009**

*November 30, 2009*



**Whatcom County Auditor's Office**

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**Internal Audit Division**

*Fred Williams, Internal Auditor*

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# About the Audit

## Objective

The objective of this engagement was to observe and evaluate the physical inventory count process to determine if it was performed in accordance with the processes established by management and in accordance with sound business controls.

Each year, Public Works Equipment Services management requests an audit of the annual inventory count to ensure the count procedures are performed as expected. Management has established a count methodology which includes a blind count of the inventory, a reconciliation of the counts to the inventory records, and recounts of inventory items as deemed necessary. Over the last decade management has continued to refine the inventory count methodology.

## Scope

The scope of this engagement included visual observation and verifications of the count procedures as it occurred on Friday and Saturday, October 30-31, 2009.

## Methodology

The Internal Auditor observed selected parts of the annual inventory count, performed independent counts, examined selected count documentation and questioned inventory staff regarding count procedures.

## Audit Standards

I conducted this performance audit in accordance with generally accepted government auditing standards, with the exception of the external peer review standard. Those standards require that I perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. I believe that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

The exception to full compliance is because the Internal Audit Division has not yet undergone an external peer review. However, this exception has no affect on the audit or the assurances provided.

# Results of the Audit

## Results

The objective of this engagement was to observe and evaluate the physical inventory count process to determine if it was performed in accordance with the processes established by management and in accordance with sound business controls.

Based on observation and selected testing, the physical inventory was satisfactorily performed.

I reviewed the process with the Equipment Services Manager and the count coordinator and verified the criteria used in the decision making components of the count process. Testing included observation of select aspects of the count, performance of independent counts, and verification of documentation.

The audit revealed the following:

- The coordinator responsible for comparing the count sheets to recorded quantities on-hand, did not participate in counting the inventory.
- The count personnel performed "blind" counts.
- The count personnel signed the count sheets they counted.
- The second counts were performed as expected, based on management's criteria.

## **Views of Responsible Officials**

“Public Works Management has reviewed this report and is in agreement. We have always appreciated the time and effort exhibited by Internal Audit in conducting and reviewing the annual physical inventory count procedures at our request. Although there are no recommendations in this audit, we will continue to explore and implement any new processes or procedures that would be of benefit to this annual task.”

Eric Schlehuber – Equipment Services Manager

## **ABOUT WHATCOM COUNTY'S INTERNAL AUDIT SYSTEM**

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The internal audit system was established on July 1, 1994 by a 1993 Whatcom County charter amendment. The county auditor has the authority and responsibility for the management of the internal audit system. As an independently elected official, the county auditor has the organizational status and objectivity necessary to maintain the independence required to schedule, perform, and report audit activities.

The key purpose of the internal audit function is to promote accountability. As an independent appraisal function, internal auditing provides public officials, legislators and citizens with information regarding the operation and management of county government.

The internal audit system is chartered to perform operational and financial audits of all programs, services and accounts that come under the budget authority of the county. Our audits are designed to comply with applicable professional standards. Results of the audits are published in individual audit reports, and are made available to the public.

Comments or questions about the internal audit system can be directed to:

Shirley Forslof, County Auditor	(360) 676-6740 ext. 56744
Debbie Adelstein, Chief Deputy Auditor	(360) 676-6740 ext. 50065
Fred Williams, Internal Auditor	(360) 676-6740 ext. 50049

Copies of audit reports may be obtained in the following manner:

Request a copy in writing to:  
Whatcom County Auditor's Office  
311 Grand Avenue, Suite 103, Bellingham, WA 98225

Request a copy by telephone (360) 676-6740, or fax (360) 738-4556.