

**Audit of the Orange County
Corrections Department
Supply Warehouse**

**Report by the
Office of County Comptroller**

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**Report No. 373
May 2006**

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May 30, 2006

Richard T. Crotty, County Mayor
And
Board of County Commissioners

We have conducted an audit of the Orange County Corrections Department Supply Warehouse at the request of the Chief of Corrections. The audit included a review of the Orange County Corrections warehouse inventory and related inventory processes and procedures. The period audited was October 1, 2004 through March 31, 2005. Certain items outside of the audit period were also reviewed due to the nature of the inventory process. Our audit was conducted in accordance with generally accepted government auditing standards, and included such tests as we considered necessary in the circumstances.

Responses to our Recommendations for Improvement were received from the Manager of the Inmate Programs and Support Services and are incorporated herein.

We appreciate the cooperation of the personnel of the Corrections Department during the course of the audit.

Martha O. Haynie, CPA
County Comptroller

c: Ajit Lalchandani, County Administrator
Timothy Ryan, Chief of Corrections
Cornita Riley, Deputy Chief of Corrections
Lee Isbell, Manager, Inmate Programming and Support
Frank Priola, CFO, Fiscal Services
George Morning, Assistant Manager
Mark Zwolinski, Unit Supervisor

EXECUTIVE SUMMARY

Executive Summary

We have conducted an audit of the Corrections Supply Warehouse of the Corrections Department's Inmate Programs and Support Services Division (Division). The audit period was October 1, 2004 to March 31, 2005, although certain items outside of the audit period were reviewed due to nature of the inventory process. The objectives of our audit were:

- To evaluate whether inventory items were properly recorded and reported;
- To determine if the manual inventory system provides an accurate accounting of actual inventory on hand; and,
- To review the adequacy of and compliance with existing policies and procedures.

In our opinion, existing written policies and procedures were adequate, except for those relating to warehouse safety. However, the Division did not materially comply with the existing policies and procedures. Based on the work performed, the inventory items maintained at the Supply Warehouse were not properly recorded and reported in the manual inventory system and the inventory system did not provide an accurate accounting of inventory on hand. Improvements are needed as follows:

During our review of the warehouse facility, we noted various safety and security concerns. Among them were unused pallets obstructing a direct route to a fire exit, inmate supplies stored within close proximity to a fire hose, barrels of cleaning chemicals placed on the upper shelving of storage units without being secured together for stability. Further, we noted that the security system parameters did not address deactivation outside of work hours or no activation at day's end.

There was no documentation of biannual inventory counts being performed at the warehouse. Additionally, a physical count of 62 items found that the inventory records showed \$26,400 less than was actually present in the warehouse. From our review of records we also identified 11 obsolete items.

Consideration should be given to changes in current practices, schedules or location of the warehouse to aid in reducing inefficiencies in transportation, caused by the distance between the warehouse and the locations it serves.

There should be adequate segregation of duties for ordering, receiving, and issuing cell phone supplies. During our review we noted that cell phone supplies purchased for the Corrections Department are charged to the Supply Warehouse but were physically maintained by Corrections Fiscal Division without adequate segregation of duties.

We would also like to commend the Corrections Department for being pro-active in improving their operations by requesting an audit of the Supply Warehouse. The Corrections Department concurred with all of the Recommendations for Improvement and corrective action is either completed or underway.

ACTION PLAN

**AUDIT OF THE ORANGE COUNTY CORRECTIONS DEPARTMENT SUPPLY WAREHOUSE
ACTION PLAN**

NO.	RECOMMENDATIONS	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED
1.	We recommend the Division, in coordination with Risk Management, creates written safety procedures for the warehouse; including at a minimum, the following:					
A)	Storing supplies in a safe manner away from exits and fire hoses;	✓			✓	
B)	Establishing additional parameters with the current security company for monitoring of the warehouse (these parameters should address deactivation outside of work hours and lack of activation by the end of the workday);	✓			✓	
C)	Storing used Correctional officer uniforms in another location out of easy access by inmate workers;	✓			Completed	
D)	Reviewing current SOPs to determine whether it is necessary for the Supply Warehouse staff to keep a log recording supervision of the inmate workers; and,	✓			Completed	
E)	Arranging a fire inspection for the Supply Warehouse with the Office of the Fire Marshal.	✓			Completed	
2.	We recommend that the Division performs a physical count of all items in the warehouse to ensure that records are brought up to date and are complete. Division SOPs should be followed so that inventories are conducted and reported upon in a timely manner. An agreement should also be reached with Fiscal or another division outside of Inmate Programming and Support to perform unscheduled inventory counts.	✓			✓	

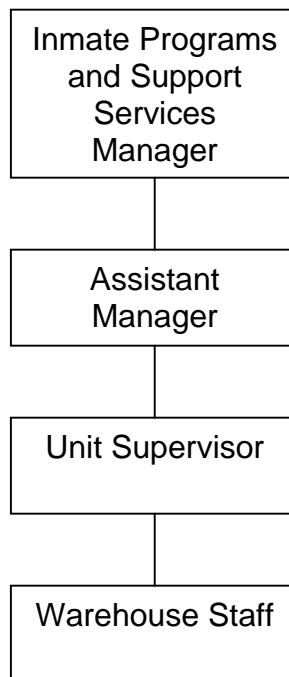
**AUDIT OF THE ORANGE COUNTY CORRECTIONS DEPARTMENT SUPPLY WAREHOUSE
ACTION PLAN**

NO.	RECOMMENDATIONS	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED
3.	We recommend the following:					
A.	Issuances and receipts of all goods are recorded as they occur;	✓			✓	
B.	Records are created and maintained for all items stored in the warehouse;	✓			✓	
C.	Any forms and printed materials that are no longer needed should be destroyed after contacting user divisions; and,	✓			✓	
D.	Corrections should consider performing a cost/benefit study to computerize the inventory system.	✓			✓	
4.	We recommend that the stamp number on the requisition be recorded with the corresponding issuances in the inventory record to allow timely and accurate matching of requisitions to issuances.	✓			✓	
5.	We recommend the Corrections Department should expand their SOPs to include procedures for the periodic review of inventory records to identify items that may be obsolete. In addition, items should be disposed of that were found to be obsolete.	✓			✓	
6.	We recommend the Division consider changes in their current practices, schedule, or location (while considering costs versus benefits) that would increase the amount of time employees are able to perform constructive tasks.	✓			✓	
7.	We recommend adequate segregation of duties exist in the ordering, receiving and issuing of cell phone supplies and appropriate records are maintained of receipts and issuances.	✓			✓	

INTRODUCTION

Background

The Corrections Supply Warehouse is under the Administrative Services area of the Corrections Department and is part of the Inmate Programs and Support Services Division (Division). In the period reviewed, there were two full time employees at the Supply Warehouse, a Supply Expediter and a Storekeeper. There are usually one or two inmate workers used to assist with deliveries, pulling of stock, and cleaning the warehouse. The Supply Warehouse has the following reporting structure:



The Inmate Programs and Support Services Manager is responsible for the Supply Warehouse, the Mailroom, Laundry, Uniform Supply, and Inmate Programs. The Supply Warehouse is combined with the Mailroom under the same unit code and cannot be separated for budget or financial reporting purposes. The combined budget of both the Mailroom and the Supply Warehouse was \$1.3 million for fiscal year 2004-2005. The Corrections Department, as a whole, had 1,722 authorized positions for fiscal year 2004-2005 and a total budget of \$159 million.

The Corrections Department Supply Warehouse stocks janitorial goods, paper supplies, inmate uniforms, laundry chemicals, and other miscellaneous items needed to supply the Correctional Department upon demand. Correctional divisions order different types of goods on a weekly or monthly basis using a requisition form.

As items are needed to replenish stock, warehouse staff work with the Corrections Fiscal Division to place orders either by procurement card (credit card), Purchase Order (PO) or by Delivery Order (DO). To initiate the ordering process, the Supply Warehouse submits a warehouse requisition for the goods needed and then the Corrections Fiscal Division processes the order.

**Scope, Objectives,
and Methodology**

The audit included a review of the inventory and related inventory processes and procedures at the Supply Warehouse. The period audited was October 1, 2004 to March 31, 2005. Due to the nature of the inventory process, certain items outside the audit period were reviewed.

The objectives of the audit were as follows:

1. To evaluate whether inventory items were properly recorded and reported;
2. To determine if the manual inventory system provides an accurate accounting of inventory on hand; and,
3. To review the adequacy of and compliance with existing policies and procedures.

To evaluate whether inventory items were properly recorded and reported, we performed the following:

- Reviewed purchases to see if they were bona-fide and amounts were accurately entered into the inventory records.
- Selected a sample of requisitions and verified whether items requested and shown as issued were accurately entered in the inventory records. We also

selected a sample of issuances from the inventory records and traced them to corresponding requisitions.

- Reviewed the inventory records for obsolete items and, for those items identified, interviewed warehouse staff to confirm whether items were obsolete.
- Identified items that were written off and examined documentation for appropriateness of authorization and method of disposal.

To determine whether the inventory system provides an accurate accounting of the actual inventory in stock we performed the following:

- Conducted physical inventory counts of items selected from the inventory records and from the warehouse floor; compared the count to the amount recorded in the inventory for each item.
- Reviewed the inventory records for evidence of periodic inventory counts, interviewed staff regarding the performance of inventory counts and made inquiries to obtain documentation of the results of any inventories performed.

To review the adequacy of and compliance with the existing procedures, we performed the following:

- Obtained a copy of the Orange County Corrections Department Operations and Supply Warehouse Standard Operating Procedures (SOPs) and reviewed them for adequacy to include whether they addressed obsolete items and stock write offs.
- Tested to determine whether internal control activities in the SOPs were in place and in operation.

Overall Evaluation

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In our opinion, existing written policies and procedures were adequate, except for those relating to warehouse safety. However, the Division did not materially comply with the existing policies and procedures. Based on the work performed, the inventory items maintained at the Supply Warehouse were not properly recorded and reported in the manual inventory system and the inventory system did not provide an accurate accounting of inventory on hand.

RECOMMENDATIONS FOR IMPROVEMENT

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1. The Warehouse Should Be Maintained in a Safe and Secure Manner

While at the Supply Warehouse, various safety and security concerns were noted and brought to the attention of management. These consisted of the following:

- A) Female inmate supplies were stored within close proximity (three feet nine inches) of a fire hose and may provide an obstruction to the hose in the event of an emergency.



- B) Barrels containing cleaning chemicals were stored on pallets on the top shelf of storage units; about 16 feet above the ground, and some were not shrink wrapped together for stability. If a barrel were to fall it may cause serious injury.



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- C) Unused pallets were stacked and stored in a manner that blocked the most direct route to a fire exit from the end of an aisle. The pallets were stacked about 15 feet high. There is no designated overflow location in the warehouse for pallets or other goods.



- D) The security system currently used does not have parameters that allow for adequate monitoring of the warehouse. There are no parameters designed around work hours to monitor whether the alarm is deactivated outside of work hours or if it is not activated at the end of the workday. In addition, due to the small number of employees at the warehouse, each employee has possession of both the warehouse key and security system code so that they may enter the warehouse alone. As such, it is possible for someone to enter the warehouse outside of work hours using the security code, and potentially misappropriate items, without the security company notifying Division management that the warehouse has been accessed.

- E) Old correctional officer uniforms are stored inside the warehouse waiting for destruction in boxes labeled with their contents, such as "used pants" or "used jackets." These boxes are within easy access of inmate workers.



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- F) An inmate log is not maintained to track supervision of inmate workers as required by the Supply Warehouse SOPs that state: "All inmate workers assigned to the warehouse will be accounted for on an hourly basis and never left unsupervised. This will be documented in the appropriate warehouse log." Corrections management has explained that the inmate workers used at the warehouse are those assigned to the lowest risk level and active supervision is not required.

- G) The last fire inspection performed by the Office of the Fire Marshal was in November 2001, prior to the occupation of the warehouse. In light of the fire safety concerns noted (items A and C) another fire inspection may be necessary to address the current condition of the warehouse.

We did not find any safety procedures for the warehouse. Written safety procedures aid in establishing and enforcing performance standards relevant to safety. They also aid new employees and provide a useful source of reference for experienced employees. Procedures can also assist in preventing repeat errors.

We Recommend the Division, in coordination with Risk Management, creates written safety procedures for the warehouse; including at a minimum, the following:

- A) Storing supplies in a safe manner away from exits and fire hoses;

- B) Establishing additional parameters with the current security company for monitoring of the warehouse (these parameters should address deactivation outside of work hours and lack of activation by the end of the workday);

- C) Storing used Correctional officer uniforms in another location out of easy access by inmate workers;

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- D) Reviewing current SOPs to determine whether it is necessary for the Supply Warehouse staff to keep a log recording supervision of the inmate workers; and,
- E) Arranging a fire inspection for the Supply Warehouse with the Office of the Fire Marshal.

Management's Response:

Concur with Comptroller.

The Orange County Corrections Support Unit has adopted the Occupational Safety and Health Administration, Worker Safety Series - Warehousing (OSHA 3220-10N 2004-Pocket Guide), as the safety guide for the Warehouse. The guide is now included as an attachment for authority and reference in the Warehouse Operations S.O.P.'s. The OSHA safety series includes information such as, unsafe use of forklifts; loading dock safety; hazard communication; poor ergonomics; charging stations and materials storage. More warehouse safety information is available through publications referenced within the guide. We will continue to expand on this training resource. Staff were issued the OSHA training guide and a follow-up training was conducted by the Unit Supervisor, regarding Standard Operating Procedures (S.O.P.400). Professional training opportunities will be sought as we progress to a standardized and more professional Warehouse operation.

The corrective actions to specific items cited in sections A through E listed above are as follows:

Item A. The female inmates' supply items cited as a potential obstruction to the fire hose were immediately relocated in order to comply with this finding.

The issue concerning stacking single barrels has been corrected. All single barrels are now stacked at ground level unless shrink-wrapped to other barrels. In addition, staff received training on the Occupational Safety and Health Administration, Worker Safety Series, Warehousing Pocket Guide, which includes improper stacking of products.

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The issue concerning pallet height was assessed. The Fire Marshal reviewed the issue and determined that because the building is both sprinkled and protected by a supervised electronic alarm, the pallet stacks should not exceed 35 feet. We reviewed the Occupational Safety and Health Administration, Worker Safety Series - Warehousing Pocket Guide and there is no particular height requirement cited. However, we have decided to not exceed fifteen (15) feet for safety purposes. If, through further research, we discover that a lesser height will make the Warehouse safer, we will change the practice.

The report also indicates that we do not have a designated overflow area for pallets or other goods. We have contacted Property and Accounting and will move the obsolete items out of the Warehouse in May of 2006 for a scheduled auction. The area that those items currently occupy will become the overflow area where pallets and other items will be located.

Item B. The AFA Protective Services security system representative was contacted and the contract is being revised to provide monthly reports detailing entrance and exit times. This change will enhance the security of the Warehouse, particularly outside of normal business hours.

Item C. Uniform Supply, including old uniforms awaiting destruction, were moved to a new location on the OCCD compound in 2005; thereby eliminating the potential for inmate workers having access to staff uniforms.

Item D. The S.O.P. has been revised. The requirement for hourly accounting of inmate workers was removed from policy, as it is not a requirement for minimum-security inmates. However, the revised S.O.P. stipulates that inmate workers will be monitored at random intervals throughout the day. Also, inmates are searched upon returning to the facility in order to detect any contraband that may be on their person.

Item E. A comprehensive fire inspection was completed on January 18, 2006. To ensure that comprehensive

inspections occur on an annual basis, our S.O.P. now stipulates that the Unit Supervisor is responsible for ensuring that they are completed each year by March.

2. Regular Physical Inventories Should Be Performed

There was no documentation of biannual inventory counts being performed at the warehouse. The procedures outlined in the Supply Warehouse SOPs state in section V.F.1 that,

Physical inventories will be done at least twice annually. These inventories will compare actual stock with the quantities listed on the standing inventory sheets. Any differences will be accounted for and explained in a memo to Management. Copies of the physical inventories will be forwarded to both the Operation Support management, and the Chief Fiscal Officer.

In addition, inventory records reviewed in the audit period and for some items back to 2003 revealed that inventories were not conducted monthly as required by section V.A.10 of the Supply Warehouse SOPs. The records were reviewed for evidence of inventory adjustments. The review showed that of 69 inventory adjustments made, most occurred between February and March 2005. The net effect of these adjustments increased the inventory by \$13,800 meaning that prior to the adjustments, the records showed less inventory in the warehouse than was present. We were also informed that unscheduled spot checks or full inventories were not performed by parties outside of the Supply Warehouse staff as allowed in section V.F.5 of the SOPs.

If inventory counts are not conducted regularly, differences between the inventory records and the physical inventory can occur and remain undetected. These differences can become a problem if an accurate inventory valuation is needed for an insurance claim or other purposes. In addition, if regular inventory counts are not performed

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misappropriation of stock could occur without timely detection.

Periodic inventory counts, done by someone independent of the inventory function, can act as a deterrent against misappropriation of stock. Physical inventory counts can also provide an incentive for staff to keep accurate records, particularly if they must report upon the results.

We Recommend that the Division performs a physical count of all items in the warehouse to ensure that records are brought up to date and are complete. Division SOPs should be followed so that inventories are conducted and reported upon in a timely manner. An agreement should also be reached with Fiscal or another division outside of Inmate Programming and Support to perform unscheduled inventory counts.

Management's Response:

Concur with Comptroller.

A full inventory was conducted on March 21 - 23, 2006 and a "baseline" inventory was established. Staff from Human Resources, as well as Community Corrections participated with Warehouse staff in conducting the inventory. Physical inventories will occur on an annual basis (tentatively scheduled for each March) to ensure continued policy compliance. The Chief of Corrections or a designee will designate the independent unit responsible for conducting the annual inventories.

To further strengthen the inventory control process, an agreement was reached with the Manager of Human Resources and Fiscal to assign fiscal staff to review inventory paperwork on a quarterly basis. The assigned staff will be responsible for reviewing inventory paperwork for consistency and accuracy and will submit a report of their findings to the Manager of Inmate Programs and Support. Further, the Support Unit Supervisor and selected staff will conduct unannounced spot checks on inventory to ensure policy compliance.

Other steps have occurred in regards to the professional development of personnel. The Unit Supervisor has re-trained Warehouse staff on the standard operating procedures, including the inventory process. Strong emphasis is being placed on ensuring that all items either entering or exiting the Warehouse be inventoried at the point of entering and/or exiting the building. A taped line on the Warehouse floor designates that the item must not pass the line without being properly inventoried. This is noted in the Warehouse S.O.P. as well. Staff are aware that the perpetual inventory must balance back to the baseline inventory established in March of 2006. In the event staff becomes unable, for any reason, to adequately monitor items entering or exiting the Warehouse, policy dictates that they immediately notify the Unit Supervisor for assistance.

3. Records Should Be Accurately and Completely Maintained

During our review of the inventory records, we noted the following:

- A) The quantities of goods shown in the inventory records often did not correspond with the actual amount stored in the warehouse. In all, our testing found 65 percent (40 of 62) of the inventory quantities on hand did not agree with the inventory quantities recorded. In total, the inventory records showed the 62 items had a value of \$134,093 and our testing showed the inventory records understated the amount of inventory present by \$26,400. This indicated that not all receipts and issuances were entered in the records. The Supply Warehouse SOPs in section V.A.4 require that "all incoming and outgoing supplies will be accurately documented to ensure accountability at all times."

- B) Items returned to the warehouse by user divisions are not included in the inventory record. Instead the items are held apart from the rest of the stock in the warehouse and are reissued to the returning division

when the division requests more of the same item. This leads to inaccuracies in the inventory records, as they do not reflect the actual amount of stock stored in the warehouse.

For example, when we performed physical counts of legal paper a pallet with 18 cases of legal paper was stored apart from the rest of the legal paper. From inquiries with warehouse staff we determined that this paper was ordered by the Dockets section and had been returned to the warehouse, but was not recorded in the inventory records. In total, there were 40 cases of legal paper stored in the warehouse, but only 11 cases were recorded in the inventory. Partially due to the unrecorded returned stock, the records understated the amount of legal paper on hand by \$842.

- C) Testing was conducted to determine if goods purchased and received by the warehouse were recorded accurately in the inventory records. We found that 22 percent (12 of 55) of the purchases were not logged in the records.
- D) Various items were located that did not have any corresponding record evidencing their presence in the warehouse. These generally consisted of the following items:
- Supply stock such as colored paper;
 - Stock held for a specific area, such as 3-part computer paper for Dockets; and
 - Non-stock items such as water jugs or food service items.

Section V.F.4 of the Supply Warehouse SOPs requires that “all items stored in the warehouse will be included on the running inventory.” Adequate records of items stored in the warehouse should be kept.

- E) Forms and other printed materials are also stocked in the Supply Warehouse and no records are kept for these items. The forms are stored in cases and it was

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observed that some were dusty, indicating that materials had not been issued recently. This was confirmed through discussions with warehouse staff. Some of these forms may have been superseded or are obsolete and may need to be destroyed.

Accurate records are needed to provide an up-to-date valuation of the inventory if required for insurance or other purposes. Should the inventory records understate the amount actually stored then any claims for damages or loss of inventory may also be understated. In addition, accurate records can aid timely detection of misappropriated assets.

Also, as the records are maintained in paper form they are more susceptible to being destroyed or lost than records in a computer format. If there were a disaster that destroyed the warehouse records, valuation of the inventory for insurance purposes would be impossible. A computerized system can aid in both preventing mechanical errors and can be less susceptible to physical destruction of information. However, the costs and risks associated with any new system should be weighed against its potential benefits to best determine if it is advantageous.

We Recommend the following:

- A) Issuances and receipts of all goods are recorded as they occur;
- B) Records are created and maintained for all items stored in the warehouse;
- C) Any forms and printed materials that are no longer needed should be destroyed after contacting user divisions; and,
- D) Corrections should consider performing a cost/benefit study to computerize the inventory system.

Management's Response:

Concur with Comptroller.

We have implemented monitoring procedures to ensure that staff utilizes the current paper-based system to manage the Warehouse inventory. We are currently proceeding toward the purchase of a computerized system that will allow us to more accurately and efficiently manage and track inventory. We expect to have the system in place by August of 2006.

Item A: Staff were retrained regarding their role and responsibility to issue and receive goods. Staff are instructed that all items are to be inventoried at the time of delivery or receipt of the item. In the event that they cannot complete this task, policy now reflects that they are to immediately notify the supervisor.

To assist staff in their role and to ensure that they have ample time to complete their work, we are in the process of implementing other changes to the daily workflow and responsibilities. Currently, Warehouse staff are required to pick up and drop off inmate workers at the jail. The jail is located approximately twelve miles from the Warehouse and the trip can take as much as thirty to forty-five minutes each way. There are two staff working the Warehouse and in the event that one is off for vacation, training, sick leave, etc., only one staff remains to complete the work. Consequently, the deliveries continue to the Warehouse and staff must continue to make deliveries to the jail. We are working on a plan to limit the amount of time consumed by transporting inmates so staff will be able to dedicate more time to their responsibilities on site. This measure would free up approximately two to three hours of staff time each day for management and administrative duties for the Warehouse. We are attempting to implement the plan by April 6, 2006.

Item B: This issue has been addressed with staff and they will be fully accountable for maintaining records of all inventory transactions. We will continue to evaluate the records management system as we implement the computerized inventory system. As previously stated, we

have taken measures to strengthen the inventory control process by assigning fiscal staff to review inventory paperwork for consistency and accuracy.

In the specific incident cited in the report, Inmate Records' staff left stock paper in a building that they occupied before moving to a new location. Warehouse staff recovered the abandoned stock and returned it to the Warehouse, but did not record it at the time of return. Inventory records were immediately updated to include these items. Staff is aware that all items, including those being stored for a user division, will be included in the inventory.

Item C: The forms were listed on the inventory documents during the March 21 - 23, 2006 inventory. The list of forms will be distributed to user departments to determine whether the forms are, in fact, obsolete. Forms were relocated to a room adjacent to the Warehouse and any form determined to be obsolete will be destroyed in accordance with County policy.

Item D: We are currently working with the Manager of Professional Services, who oversees all computer technology requests, to determine which system is compatible with the current computer infrastructure and will best meet our database and computer needs. Our goal is to have a system in place no later than August of 2006.

4. Requisition Numbers Should Be Entered in the Inventory Record

The requisitions from ordering divisions are stamped with a unique identifier number as warehouse staff receives them. However, this number is not being recorded in the corresponding inventory record for the issuance of goods. Section V.F.2 of the Supply Warehouse SOPs state: "Requisition documents will be numbered. This will be done by stamping the forms as they are received by [the Supply Warehouse]. These numbers will be used to match requisitions to issues."

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While we found that the warehouse staff consistently stamps the division requisitions, because the stamp numbers were not recorded in the inventory records with the corresponding issuance it led to some cases where we were not able to trace items in tests performed; or cases where it could not be determined if the correct items/requisitions had been located. These items could have been verified with more ease and accuracy had the stamp number been recorded in the inventory record. In total, we tested 219 issuances from the inventory records and none had a stamp number recorded, although most requisitions were number stamped.

The lack of a number stamp in the inventory records means that any reconciliation that must be done between recorded and ordered amounts is made unnecessarily difficult which, in turn, makes discovery of inappropriate uses of resources less timely or likely.

We Recommend the stamp number on the requisition be recorded with the corresponding issuances in the inventory record to allow timely and accurate matching of requisitions to issuances.

Management's Response:

Concur with Comptroller.

Staff were retrained as to their role of managing the Warehouse operation. Additionally, the checks and balances implemented will provide timely identification of any failure to properly stamp requisitions and the inventory record. Staff will be held accountable for ensuring that all inventory processes are adhered to on a daily basis. The process will be enhanced by our implementation of a quarterly review, as well as the policy requirement of weekly visits to the Warehouse by the Unit Supervisor or other supervisory level designee.

5. Reviews Should Be Performed Periodically to Identify and Dispose of Obsolete Items

County Audit performed a review of inventory records to determine if there were any items appearing to be obsolete (items not ordered in over a year by any division). There were 16 items (out of approximately 320 items on hand) identified from the review, some of which had not been ordered by any division for over four years. There were also two items for which initial stock was recorded, but nothing was shown to be issued to any division. After discussing these with warehouse staff, 11 items were confirmed as obsolete.

The number of items identified from our review indicates that regular reviews of the inventory records to identify obsolete items are not taking place. Corrections SOPs for the Supply Warehouse do not address inventory procedures to determine obsolescence.

The obsolete items that are stored in the warehouse consume space that may otherwise be used for the storage of currently used supply stock. In addition, if these items have any salvage value (and their sale is an appropriate option) they may generate additional funds for the County.

We Recommend the Corrections Department should expand their SOPs to include procedures for the periodic review of inventory records to identify items that may be obsolete. In addition, items should be disposed of that were found to be obsolete.

Management's Response:

Concur with Comptroller.

The S.O.P. was revised and now addresses reviews for obsolete items. Obsolete items and forms were placed on the inventory conducted on March 21-23, 2006. The list of forms will be forwarded to the user divisions who will ensure that the forms are, in fact, obsolete. Forms determined to be obsolete will be destroyed in accordance with County Policy.

In addition, in accordance with County Policy, we have contacted Property and Accounting regarding obsolete items, other than forms, and will move the obsolete items out of the Warehouse in May of 2006 for a scheduled auction.

6. Consideration Should Be Given to the Location of the Warehouse to Aid in Reducing Transportation Costs

After Supply Warehouse staff clocks in at the Corrections complex they pick up inmate workers and transport them to the warehouse facility, approximately 9 miles away. This takes a minimum of 45 minutes and can take longer dependent upon traffic or the amount of time it takes to pick up inmate workers. In the afternoon the warehouse staff ceases operations and leaves the warehouse a minimum of 45 minutes prior to the end of their workday so that they may return to the Corrections complex to clock out and return the inmate workers.

At a minimum each staff member at the warehouse uses an hour and thirty minutes each day in the manner described above. There are two employees, so a total of three hours each day is used between the two. An analysis was performed to determine the cost of this practice using the employees present rates of pay and found that the current cost exceeds \$1,400 per month.

The amounts above do not include the cost of any employee benefits such as life insurance, health insurance etc., or vehicle cost and maintenance, all of which would increase the cost of this current practice further.

In addition, when deliveries need to be made, one staff member accompanied by the inmate workers must make an additional round trip to complete the deliveries. Most of the deliveries made are at various facilities located on the Corrections complex. The distance of the warehouse from the divisions it serves and the current practice of picking up and dropping off inmate workers means that warehouse staff

member time may not be used in the most effective and efficient manner possible.

We Recommend the Division consider changes in their current practices, schedule, or location (while considering costs versus benefits) that would increase the amount of time employees are able to perform constructive tasks.

Management's Response:

Concur with Comptroller.

Recommendations to address moving the Warehouse are under review by OCCD management. We do not expect implementation of the recommendations to occur in 2006. In the interim, we are working on a plan to eliminate or reduce the amount of time Warehouse staff are required to travel; thereby, affording them more time to focus on receipt, delivery and inventory of materials and supplies.

7. There Should Be Adequate Segregation of Duties For Ordering, Receiving and Issuing Cell Phone Supplies

Through discussions with Corrections Fiscal Division staff we determined that there is one employee in Corrections Fiscal who is responsible for ordering cell phone supplies (such as batteries, cases, chargers etc.), receiving the supplies and distributing them. The employee makes these purchases using a procurement card and the cell phone supplies are charged to the Supply Warehouses accounting line. Supply Warehouse staff and managers were unaware that cell phone supplies were being charged to their accounting line. In addition, there was also no inventory record being kept for the cell phone supplies.

For the procurement card statements reviewed from September 2004 to January 2005 we found \$2,353 in cell phone supply purchases charged to the warehouse. These purchases made up 26% of the value of procurement card items tested.

RECOMMENDATIONS FOR IMPROVEMENT



Audit of the Orange County
Corrections Department
Supply Warehouse

Cell phone accessories are, due to their nature, attractive items, and the lack of segregation of duties for authorization, recordkeeping and custody leaves the possibility of theft being committed and going undetected. The lack of any inventory records maintained also means that it cannot be determined if amounts on hand are accurate.

We Recommend adequate segregation of duties exist in the ordering, receiving and issuing of cell phone supplies and appropriate records are maintained of receipts and issuances.

Management's Response:

Concur with Comptroller.

These duties have been entirely separated from the Warehouse. According to Fiscal they have established segregation of duties by ensuring that all cell phone purchase requests are approved by the Division Manager, prior to Fiscal's purchasing and issuance of the cell phone. An inventory log has been established in order to track the issuing of cell phones and cell phone accessories along with conducting quarterly and random inventory counts. Fiscal is also planning to consolidate the budget for these purchases under the Fiscal Services Section beginning in FY-2007.