

**Leon County Schools
Office of Internal Auditing
Annual Inventory Verification
for
LCS Materials & Storage Department
Fiscal Year: 2019-2020**

Introduction

Office of Internal Auditing (OIA) staff visited the Leon County School's Materials and Storage Department to conduct the annual inventory verification on Monday, July 6, 2020. The inventory verification is conducted to:

- verify the accuracy of the physical inventory counts prepared by Materials & Storage Department staff;
- conduct comparisons between Materials and Storage Department official inventory reports (Stock Valuation Report) and actual physical inventory on hand; and
- identify and document any discrepancies.

During the initial visit on Monday, July 6, 2020, OIA staff was informed that the inventory system had been re-opened after the initial inventory count prepared by Materials and Storage Department staff to accommodate emergency orders of COVID-19 supplies at the request of the LCS Student Activities Department.

After discussions with the Director of the Material and Storage Department, it was decided that another inventory count would be conducted to ensure the accuracy of the physical inventory on-hand as of the end of the 2019-2020 fiscal year, given that items had been added and removed from the inventory records after the initial count.

OIA staff returned on Wednesday, July 8, 2020 to verify the final inventory count and review selected reports. The results from the review activities are presented below:

Results

1. The 2019-2020 fiscal year ending inventory counts prepared by the Materials and Storage Department were reliable.

The Stock Valuation Report for 2019-2020 fiscal included 505 inventory items with a valuation of \$157, 767.36. Materials and Storage staff provided OIA staff with final inventory counts for all active inventory items (111 items) for the 2019-2020 fiscal year. OIA staff counted 45 items which represented 40% of the total active inventory. The counts performed by OIA staff included verification of the six inventory adjustments noted on the Materials and Storage final inventory count for the 2019-2020 fiscal year. The six inventory adjustment required to reconcile actual active inventory on hand with the inventory values included on the Stock Valuation Report as noted by Materials and Storage staff are documented below: *(Please note that inventory adjustments were not required for the bold italicized item listed below. See explanation in next paragraph.)*

Item No.	Item Name	Stock Valuation Report Inventory Count	Actual Inventory On-hand	Variance (Adjustment)
5350	Staplers, Hand Grip Small	125	124	-1
8293	Gloves, Exam, LG	1	0	-1
8420	Brooms, Kitchen	48	49	+1
8691	Disinfectant, ZEP/Germ-KLE	742	741	-1
8712	Bucket w/Lid; for Equip W	24	23	-1
16490	Office File Card, White	322	321	-1

Of the 45 items counted by OIA staff, one variance between the Materials & Storage staff count and the OIA staff count was noted. The variance was noted for item number 16490, Office File Card, White. Materials and Storage staff reviewed the inventory count with OIA staff and revised the final inventory count for this item. This revision reduced the number of exceptions noted in the table above from six to five.

Recommendation:

LCS Materials & Storage staff should ensure that the five inventory adjustments listed in the above table are posted to the Stock Valuation Report prior to opening the system for the 2020-2021 fiscal year.

2. There was a discrepancy between the number of items listed on the Materials and Storage Stock Valuation Report and the actual number of items on-hand in the Materials and Storage Warehouse.

The Materials and Storage Stock Valuation Report listed 505 inventory items; however, Materials and Storage staff stated that there are only 111 active inventory items. Staff stated that the 394 item discrepancy represents inactive inventory items. Of the 394 inactive items, 14 items were placed in an inactive status at the end of the 2019-2020 due to slow sales or the ability of LCS staff to obtain the items from other vendors for a more economical price. All other inactive items were removed from inventory during prior fiscal years. Due to system constraints, the items have not been deleted from the Stock Valuation Report.

Recommendation:

LCS Materials & Storage staff should conduct research to determine whether there are options to remove inactive items from the Stock Valuation Report. If this option is available, after a review of all inactive items listed on the Stock Valuation Report to verify the accuracy of the inactive status, these items should be deleted from the Stock Valuation Report. If this option is not available, an internal procedure should be developed to document all inactive items. Further, a process should be developed to determine how items will be added to the inactive list that includes the approval process and actions that will be taken to properly account for and dispose of any remaining inventory for inactive items.

3. There were five (5) inactive items included on the Stock Valuation Report with inventory quantities greater than zero.

OIA staff reviewed the list of 394 inactive items included on the Stock Valuation Report. The items listed on the table below were marked inactive but included inventory quantities greater than zero.

Item No.	Item Name	Stock Valuation Report (SVR) Inventory Count	Actual Inventory On-hand	Inventory Value (Per Item value as noted on SVR)
000030	Aluminum Foil 12" X	15	0	\$7.85
000310	Calendar Refill #17	8	0	\$2.31
002170	Paint, Finger Orange	2	0	\$1.54
002210	Paint, Finger Yellow	7	0	\$1.66
008750	Furniture Polish	1	0	\$3,334.14

In addition to the variances in the quantities on-hand as noted in the table above, item No. 008750 was valued at \$3,334.14 per item. Per Materials & Storage staff the valuation for the item was inaccurately documented on the Stock Valuation Report. Staff also stated that all of the included in the table above were removed from the active inventory during prior fiscal years and no inventory items remained on-hand for any of these items.

Recommendation:

LCS Materials & Storage staff should conduct research to determine how their department disposed of the remaining inventory for each of the items included on the above list. The results of this research should be documented and maintained as a part of the inventory records for the 2019-2020 fiscal year inventory. Further, inventory values for all active and inactive items should be verified for accuracy and any necessary corrected should be posted.