



**SUFFOLK COUNTY
OFFICE OF THE COMPTROLLER
AUDIT DIVISION**

**Joseph Sawicki, Jr.
Comptroller**

An Audit of

**Suffolk County Board of Elections
Inventory Control System**

For the Period
January 1, 2005 through December 31, 2007

**Report No. 2009-02
Date Issued: February 20, 2009**

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LETTER OF TRANSMITTAL

December 12, 2008

Hon. Joseph Sawicki, Jr.
Suffolk County Comptroller
Suffolk County Department of Audit and Control
H. Lee Dennison Executive Office Building
100 Veterans Memorial Highway
P.O. Box 6100
Hauppauge, NY 11788-0099

Dear Mr. Sawicki:

In accordance with the authority vested in the County Comptroller by the Suffolk County Charter (Article V), a performance audit was conducted of the Suffolk County Board of Elections (the Board) located at Yaphank Avenue, Yaphank, NY 11980. Our audit focused on the Board's Inventory Control System during the period January 1, 2005 through December 31, 2007. The audit objectives were as follows:

- To determine if the Board operates in compliance with the requirements of Standard Operating Procedure (SOP) G-02 – Equipment Inventory Control System.
- To determine if the Board has adequate controls over its inventory of furniture, equipment and vehicles.

We conducted our audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Such standards require that we plan and perform our audit to adequately assess those operations that are included in our audit scope. Further, these standards require that we understand the internal control structure of the Board and its compliance with those laws, rules and regulations that are relevant to the operations included in our audit scope.

An audit includes examining, on a test basis, evidence supporting the transactions recorded in the accounting and operating records and applying such other auditing procedures, as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our findings and recommendations.

All inventory items selected for testing were present and physically observed during the audit. However, the audit identified certain instances of noncompliance with the provisions of SOP G-02 – Equipment Inventory Control System and related internal control deficiencies.

Respectfully,



Elizabeth Tesoriero, CPA
Executive Director of
Auditing Services

ET/JT

SUMMARY OF SIGNIFICANT AUDIT FINDINGS

Objective 1: To determine if the Board operates in Compliance with the Requirements of Standard Operating Procedure (SOP) G-02 – Equipment Inventory Control System.

- The Board does not comply with the provision of SOP G-02 which requires the submission of an Inventory Change Form (AC-103) for any new equipment purchase costing \$5,000 or more (p. 7).
- The Board does not always provide all required information when completing the deletion section of the AC-103 form (p. 8).
- The Board is not maintaining inventory records for furniture (p. 9).

Objective 2: To determine if the Board has adequate controls over its inventory of furniture, equipment and vehicles.

- Five of the 25 items selected from IFMS for testing were not included on the Board's Inventory Spreadsheet. (p. 9).
- The Board's Inventory Spreadsheet contained errors, lacked sufficient information regarding the assets and also incorrectly included software and leased equipment (p. 9).
- Ten of the 35 items selected for testing (selections included 25 transactions from IFMS and 10 payment vouchers) were coded to the incorrect object code resulting in misclassification of expenses and inventory errors (p. 11).

GENERAL INFORMATION

The Suffolk County Board of Elections (the “Board”) was established in 1935 as a bipartisan agency responsible for all aspects of the electoral process from voter registration to election results. In 1976, with the adoption of New York State Election Law, the Board became part of the New York State Board of Elections, with expanded regulatory duties.

The Board’s mission is to encourage voter participation, administer fair and accurate elections, regulate disclosure and limitation, and protect the rights of voters within Suffolk’s jurisdiction. In addition to supporting the laws and regulations governing elections, as set forth by the State of New York, the Board also strives to advocate proper campaign practices in accordance with the Fair Campaign Code and to preserve voters’ confidence in the democratic process.

The scope of the audit was limited to the Board’s Inventory Control System. SOP G-02, dated 11/02 requires all county departments to notify the Department of Audit and Control of new equipment purchases, deletions and transfers of equipment costing over \$5,000 via submission of an Inventory Change Form (AC-103). Audit and Control’s CAFR Unit is responsible for assigning inventory control numbers, distributing the corresponding stickers that are affixed to the inventory items by Department personnel, and maintaining the County’s fixed asset inventory. The SOP also directs county departments to maintain inventory records for assets with a purchase price less than \$5,000.

SCOPE AND METHODOLOGY

To accomplish our objectives, as stated in the Letter of Transmittal, we performed the following procedures:

- Conducted interviews with personnel from the Department of Audit & Control, Civil Service's Division of Risk Management, and the Board regarding issues related to the audit objectives.
- Secured and reviewed laws and regulations, which are pertinent to the Board and the County's Inventory Control Procedures.
- Obtained the Board's sub-ledgers for expense codes related to furniture and equipment (object codes 2000 through 2999) for the years 2005, 2006 and 2007 and reconciled the sub-ledgers to a report generated from the County's Integrated Financial Management System (IFMS CRYSTAL Report).
- Obtained the Board's payment vouchers (PV's) for the period January 1, 2005 through December 31, 2007.
- Obtained the Board's Inventory Spreadsheet as of December 31, 2007.
- Selected transactions for testing from IFMS, payment vouchers, and the Board's Inventory Spreadsheet.
- Performed testing to determine if the transactions selected were properly recorded on IFMS, the Board's Inventory Spreadsheet, and, if applicable, Audit & Control's Fixed Asset Inventory. Physically inspected the equipment to verify that it is in the custody of the Board and, if the purchase price exceeded \$5,000, has an inventory control sticker affixed. Also, determined if the Board submitted an Inventory Change Form (AC-103) to Audit & Control for all equipment costing \$5,000 or more.
- Obtained the BOE Vehicle Inventory from the Department of Public Works' Fleet Services. Randomly selected three vehicles and verified the vehicles make, model and license plate number.
- Obtained the Board's list of surplus equipment which is set for auction. Randomly selected twenty-five pieces of surplus equipment and physically inspected the equipment verifying all known serial numbers.

We use a risk-based approach when selecting activities to be audited. This approach focuses our audit efforts on operations that have been identified through a preliminary survey as having the greatest probability for needing improvement. Consequently, by design, finite audit resources are used to identify where and how improvements can be made. Thus, little effort is devoted to reviewing operations that may be relatively efficient or effective. As a result, our audit reports are prepared on an “exception basis.” This report, therefore, highlights those areas needing improvement and does not address activities that may be functioning properly.

FINDINGS AND RECOMMENDATIONS

The findings and recommendations contained in this report are based on our audit of the Suffolk County Board of Elections in accordance with the stated audit objectives (p. 1). Findings that are considered significant are preceded by an asterisk (*) and are brought forward to the Summary of Significant Audit Findings (p. 3). Although other findings in this report are not considered significant, they are reportable and require corrective action.

***The Board does not comply with the provision in SOP G-02 which requires the submission of an Inventory Change Form (AC-103) for any new equipment purchase costing \$5,000 or more.** Thirteen new equipment purchases costing \$5,000 or more were tested; we found that the Board had not submitted an Inventory Change Form for any of these items. Interviews with Board staff members further confirmed that the Board does not submit this form to Audit & Control for new equipment purchases.

As a result of the Board's failure to submit form AC-103 to Audit & Control, we found that four of thirteen (31%) equipment items costing \$5,000 or more did not have Inventory Control Stickers affixed to the item and two of the equipment items were not included on the CAFR Unit's Fixed Asset Inventory. Although the CAFR Unit utilizes other procedures to identify new purchases of equipment, they rely on departmental reporting as their main source of information.

Recommendation 1

The Board should comply with SOP G-02 by completing an AC-103 form for all equipment purchases with an individual cost of \$5,000 or more. The AC-103 form should be forwarded to Audit & Control's CAFR Unit as part of the initial purchasing

***The Board is not maintaining inventory records for furniture.** This was determined through interviews with Board staff members and a review of the Board's inventory records. SOP G-02 states "The Department must maintain inventory records for assets with a purchase price less than \$5,000". Noncompliance with this requirement results in a lack of accountability for County assets and provides opportunity for theft without detection.

Recommendation 3

The Board should comply with SOP G-02 by including furniture on its Inventory Spreadsheet. In the event that furniture costing \$5,000 or more is purchased, it should be reported to Audit & Control's CAFR Unit as an addition on an AC-103 form.

*** Five of the 25 items selected from IFMS for testing were not included on the Board's Inventory Spreadsheet.** Four of the items were equipment costing a total of \$11,027 and one item was a desk costing \$1,781 (see the prior finding regarding furniture). It appears that copies of purchase orders are not always forwarded to personnel that are responsible for updating the Board's Inventory Spreadsheet.

Recommendation 4

The Board should determine the reason why these items were not added to the Inventory Spreadsheet and implement appropriate corrective action to ensure that personnel responsible for updating inventory records are always informed about new purchases and other inventory changes.

*** The Board's Inventory Spreadsheet contained errors, lacked sufficient information regarding the assets and also incorrectly included software and leased equipment. Details are as follows:**

- The cost of a server was incorrectly listed as \$10,000 instead of \$87,544 on the Inventory Spreadsheet. The error was caused by listing the installation fee instead of the cost of the server including installation. We also found that the County's Fixed Asset Inventory incorrectly included a separate inventory control number for the installation fee.
- Based on a physical inspection of 26 inventory items selected for testing from the Inventory Spreadsheet, we determined that two had an incorrect serial number on the Spreadsheet and one item did not have the serial number listed on the Spreadsheet. Inaccuracies or omission of important identification information on the Spreadsheet could lead to uncertainty or confusion when tracking the location of inventory items.
- Regarding computers, the Inventory Spreadsheet did not include the assigned computer name and Internet Protocol (IP) address, the user's name, and warranty information. The computer user, name and/or IP address is used for updating computer programs and monitoring the computer's use and location, and warranty information is valuable when a computer malfunctions.
- The Inventory Spreadsheet did not always include purchase order numbers and asset values. This information is important, because, any disposal of an asset costing more than \$5,000 must be reported to Audit & Control's CAFR Unit to remove the item(s) from the County's Fixed Asset Inventory.
- The Inventory Spreadsheet improperly included leased equipment. While it is important to be accountable for such items, the inclusion of leased equipment on the Spreadsheet is misleading because the items are not County owned.
- The Inventory Spreadsheet included software. While it is important to be accountable for such items, the characteristics of software make it very different from furniture/equipment. The uniqueness of software makes it more suitable for separate record keeping.

Recommendation 5

The Board's Inventory Spreadsheet should be updated whenever new equipment or furniture is purchased and when inventory items are transferred or disposed of. The spreadsheet should include as much information as is necessary to properly identify the

items including a detailed description, serial numbers, Purchase Order numbers, asset values, Inventory Control Sticker numbers, etc. For computers, the spreadsheet should also include the Computer Name or IP Address; the computer user and warranty information such as the service code, warranty beginning date and ending date. We also recommend that the Board conduct a physical inventory at least once a year for the purpose of updating the Inventory Spreadsheet and providing accountability for the Board's assets.

Leased equipment and computer software should not be included on the Board's Inventory Spreadsheet. Such items should be tracked separately from furniture and equipment. It is also important to periodically assess whether sufficient controls are in place to safeguard software from unauthorized and/or improper use.

*** Ten of the 35 items selected for testing (selections included 25 transactions from IFMS and 10 payment vouchers) were coded to the incorrect object code resulting in misclassification of expenses and inventory errors. Details are as follows:**

- Four of the 25 items randomly selected for testing from IFMS were coded to an incorrect object code. The four items were for software licensing, a software upgrade, and two equipment maintenance agreements. The coding of these items under object code 2020 (office machines) is a misclassification of expense. The misclassifications resulted in inventory errors because the software upgrade and one equipment maintenance agreement were incorrectly included on the Board's Inventory Spreadsheet.
- Six of the 10 payment vouchers judgmentally selected for testing were coded to an incorrect object code. Two vouchers for 3 scanners and 6 laptop computers were coded under object 3160 (computer software).

Two vouchers for copier/printers were coded under object 3510 (rent: business machines). Two vouchers for shredders were coded under object 3010 (office supplies). The misclassifications resulted in inventory errors because the two shredders did not appear on the Board's Inventory Spreadsheet.

Recommendation 6

The Board should determine the reasons for the misclassifications of expense and take appropriate corrective action. In addition, we recommend that Purchase Orders include a brief description of the items in layman's terms to ensure the purchase is correctly coded by the Board's Purchasing Unit and to provide additional information for the updating of inventory records.

In our testing of 25 items classified as "surplus equipment" we found that one printer was moved to the front desk area to replace a broken printer. The associated inventory records were not corrected for this transfer of equipment.

Recommendation 7

If surplus equipment is placed into use the Board should update its inventory records and, if applicable, an AC-103 form should be prepared to notify the CAFR Unit of the equipment transfer.

This report is intended solely for the information and use of the Suffolk County Board of Elections' management and responsible Suffolk County officials and is not intended to be used by anyone other than these specified parties. However, this report is available for public inspection.

Appendix A



BOARD OF ELECTIONS
County of Suffolk
PO Box 700
Yaphank, NY 11980-0700

Commissioners
ANITA S. KATZ
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January 29, 2009

Suffolk County Department of Audit and Control
Attn: Elizabeth Tesoriero, CPA
Executive Director of Auditing Services
H. Lee Dennison Executive Office Building
100 Veterans Memorial Highway
P O Box 6100
Hauppauge, New York 11788

Dear Ms. Tesoriero:

Please accept this as a response to the draft report on the results of the audit your office conducted of the Board of Elections' Inventory Control System for the period January 1, 2005 through December 31, 2007.

FINDINGS AND RECOMMENDATIONS

Recommendation 1

The draft audit found that in 13 instances the Board failed to submit an Inventory Change Form (AC-103) for new equipment that cost more than \$5,000. After your office identified the equipment purchases referred to in the report, the Board proceeded to complete the form AC-103 as required by SOP G-02. In addition the Board placed Inventory Control Stickers on the 4 items that lacked the required stickers and amended the CAFR Unit Fixed Asset Inventory to include the 2 items that are appropriately included on that list.

In future, the Board will comply with SOP G-02 by completing an AC-103 form for all equipment purchases with a cost of \$5,000 or more. In addition, the Board will forward all such forms to Audit & Control's CAFR Unit when such purchases are made.

Recommendation 2

The Board will, in future, submit an AC-103 form for all items to be deleted from the Fixed Asset Inventory which had an original price of \$5,000 or more. Similarly, the Board will keep a separate surplus inventory report for items with an original cost of less than \$5,000 as outlined in the County's SOP.

Appendix A

Recommendation 3

Please be advised that as you suggested the Board will proceed to amend its inventory to include any items, in particular furniture, and will maintain such inventory going forward, as required by the County SOP G-2.

Recommendation 4

As stated above the Board will, in future, implement an inventory spreadsheet keeping process consistent with County SOP G-2. Said process will include a mechanism to ensure that personnel responsible for updating inventory records are apprised of any new purchases and any inventory changes.

Recommendation 5

As suggested in this recommendation, improvements will be made to the Board's Inventory Spreadsheet. They will include additional identification information. Moreover, during the process of making the Inventory Spreadsheet more descriptive, the Board will conduct a physical inventory. Going forward, the Board will conduct such physical inventory of its assets annually. Leased items and computer software will be tracked separately and apart from items included on the Inventory Spreadsheet.

Recommendation 6

As per this recommendation, added attention will be given to the definitions of the classifications of expenses and inventory to ensure that the Board's Purchasing Unit properly codes all inventory, leased equipment and software.

Recommendation 7

The Board will update its inventory records, and, if warranted, an AC-103 will be prepared notifying the CAFR Unit of the equipment transfer.

The Board's appreciates your office's audit review of its inventory control processes and thanks you for your recommendations.

Very truly yours,


ANITA S. KATZ
Commissioner


CATHY L. RICHTER GEIER
Commissioner

Appendix B

Audit & Control's Assessment of Response

The response submitted by the Board of Elections (Appendix A, p.13) indicates that they intend to implement our recommendations. We extend our gratitude to the Board for their cooperation during the audit and for taking corrective action to address the deficiencies identified in our report.