County of Chester
Print Shop Inventory

Management Letter

County of Chester
Office of the Controller
Internal Audit Department

Management Letter
For the Year Ended
December 31, 2019

Margaret Reif, Controller
Print Shop Inventory - Executive Summary

Are there any MAJOR issues that require management’s immediate action and/or attention? (Sufficient controls are not in place to address the associated risk.)  
No

Are there any LESSER SIGNIFICANT issues that require management’s action and/or attention? (Process is not critical to the overall operation.)  
Yes

Are there any MINOR issues that do not require management’s action and/or attention? (Sufficient controls are in place and issue is strictly a result of human error and oversight.)  
Yes

<table>
<thead>
<tr>
<th>Recap of Findings Identified</th>
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<tbody>
<tr>
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<td>1</td>
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<tr>
<td>1</td>
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Margaret Reif, Controller
Introduction

On August 31, 2020, Internal Audit completed a limited scope audit of the Print Shop Inventory for the year ended December 31, 2019. Christian J. Kriza was the auditor-in-charge. Internal Audit reviews inventory balances annually to ensure accurate recording and compliance with County policies and procedures. The scope of our audit included a review of the following:

- Review of client conducted inventory and general ledger recording

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States.

Summary and Opinion

For the year ended December 31, 2019, Internal Audit has determined that the Print Shop’s inventory records are accurate, available and well documented.

In addition, the Print Shop was found to be in compliance with policies and procedures mandated by the County of Chester except as outlined on the page that follows. A final copy of this management letter will be transmitted electronically to your attention upon receipt of your responses. In addition, since audit reports are a matter of public record, your final report will be posted on the Controller’s webpage within one week of issuance.
**Methodology**

Internal Audit interviewed key personnel, observed operations, reviewed written policies, procedures, system reports and source documents, and tested specific transaction activity where applicable.

**Inventory** is tested on a sample basis. The sample size tested for the year ended December 31, 2019 was 25 out of a population of 201 inventory items. In addition, the year end physical inventory balance was reconciled to the year end general ledger balance.

**Finding 1:**

**Condition**

Based on the reconciliation performed, the variance as of December 31, 2019 is $2,650.97:

<table>
<thead>
<tr>
<th>Physical Count</th>
<th>General Ledger</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>$35,759.19</td>
<td>$33,108.22</td>
<td>$2,650.97</td>
</tr>
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</table>

**Criteria**

The Inventory count included a review of the variance present in the reconciliation between the general ledger activity (GL) and the physical inventory count. The variance should be as close to balancing as possible. In prior years, the variance was between approximately $13,000 and $38,000.

**Cause**

The Print Shop purchases inventory from a supplier and then performs printing jobs for County departments. The Print Shop sets the price per sheet for each job performed, which does not necessarily tie to the cost the Print Shop incurs for each job.

**Effect or Potential Effect**

Upon reconciliation, the Inventory account will require an allocation of funds from another account to cover the variance.

**Recommendation**

Internal Audit recommends that Print Shop management continue to review the cost of each job and monitor the account to ensure accurate reconciliation on a monthly basis.

**Auditee Response**

The Print Shop sets the price per sheet for each job performed, which does not necessarily tie to the cost the Print Shop incurs for each job due to certain equipment costs, i.e., ink, roller life, etc. that cannot be captured on a “per job” basis. The timing between when the Print Shop incurs costs and when actual reimbursement is received is also a factor impacting the variance.
Finding 2:

Condition

The inventory ledgers are saved to an individual computer’s C: Drive and also backed up to an individual external hard drive.

Criteria

The inventory account ledgers, which are maintained in MS Excel by Print Shop Management should be secured, monitored, and backed up by Department of Computing and Information Services (DCIS). The Microsoft Excel files should also be accessible by Procurement management.

Cause

The Print Shop manager stores the Microsoft Excel files on his individual computer in an effort to limit access and prevent unauthorized changes to the files.

Effect or Potential Effect

If the C: Drive or external hard drive are compromised or unable to be accessed by authorized Print Shop employees and management, the files could be temporarily or permanently lost or unusable.

Recommendation

Internal Audit recommends that the files be moved onto the Procurement Management S: Drive (County share drive) and into a restricted folder. DCIS can then grant access to authorized individuals and Procurement management. The Procurement Management S: Drive will provide the proper security and backup measures to appropriately monitor and maintain the files.

Auditee Response

Procurement management agrees with the finding and recommendation.
An exit conference was not warranted for the audit of the Print Shop Inventory. Peter Navarro, Director of Procurement and General Services accepted the management letter as presented.