



County Controller

Stephen J. Barron, Jr., CFE

Audit Manager

Frank S. Kedl, CIA

Solicitor

Timothy P. Brennan, Esq.

County Executive

John Stoffa

County Council

John Cusick, President
Margaret Ferraro, Vice-President
Thomas H. Dietrich
Bruce A. Gilbert
Kenneth M. Kraft
Lamont G. McClure, Esq.
Leonard S. Parsons
Barbara Thierry
Robert F. Werner

Audit Report

**RECEIVING
FUNCTION**

As of April 30, 2012

**Office of the Controller
County of Northampton
Pennsylvania**



STEPHEN J. BARRON, JR., CFE

CONTROLLER OF NORTHAMPTON COUNTY

NORTHAMPTON COUNTY COURTHOUSE
669 WASHINGTON STREET
EASTON, PENNSYLVANIA 18042

FRANK S. KEDL, CIA
Audit Manager

TIMOTHY P. BRENNAN, ESQ.
Solicitor

PHONE (610) 559-3186
FAX (610) 559-3137

June 28, 2012

Members of the Northampton County Council
John Stoffa, County Executive
County of Northampton, Pennsylvania

We have completed an audit of the County's Receiving Function as of April 30, 2012.

The Executive Summary on page 1 summarizes the audit results and identifies opportunities for improvement, while the Audit Results section provides a detailed explanation.

We acknowledge the cooperation and assistance we received from Fiscal Affairs, Public Works, Procurement and all of the other offices we contacted for this audit. Their help was essential to the performance of this audit.

Management did not wish to meet to discuss the draft report, however, management's response is included in the Audit Results section of the report.

Very truly yours,

Stephen J. Barron, Jr., CFE
County Controller

Paul L. Albert, CIA
Lead Auditor

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EXECUTIVE SUMMARY - OPPORTUNITIES FOR IMPROVEMENT

The following is a summary of the content of the enclosed report. See report references noted below for full detail.

Section A – Internal Controls

1. The administration at Gracedale should ask the Sheriff's Department to review the security of the loading dock at Gracedale. Installing security cameras if necessary would provide a better safeguard for Gracedale's assets. (Section A-1, pg. 4)

Section B – Economy and Efficiency

1. The County's ONESolution software steering committee's evaluation of the costs and benefits of implementing the receiving function should consider not only the short-term impact, but also the long-term goals of the financial system. Consideration should also be given to the needs of Gracedale and the Jail with their inventory system. ONESolution is the name of the software formerly called IFAS. (Section B-1, pg. 5)

INTRODUCTION

The audit of the receiving function came about because of questions regarding how goods are received at the various County buildings, and the status of implementing the receiving function within the ONESolution computer system.

The physical receiving of goods is unique at each of the County locations. The only location that truly has central receiving is the Jail. A brief description follows of the different methods of receiving goods and how the goods are stored, if applicable.

Courthouse

Shipments of large items or quantities are received at the loading dock by custodians. Office supplies are delivered by the vendor directly to the ordering agency, and smaller packages are delivered directly to the mailroom. The internal loading dock or storage area is mostly occupied by large quantities of paper being stored for the mailroom and the Jail's print shop. There isn't a lot of storage space available, so shipments are normally delivered directly to the ordering agency by the custodial staff.

Jail

All goods are received by a corrections officer at the back gate. There it's inspected and distributed to different storage areas within the Jail. A large amount of the goods pertain to the clothing, bedding, towels, etc., that are distributed to inmates. There are approximately 4,000 commitments each year and each inmate receives 3 sets of undergarments, 3 uniforms and a pair of shoes. Managing this inventory manually is difficult and inefficient.

Gracedale

The majority of all shipments are received at the loading dock by storeroom personnel, while some parcel post deliveries are received at the business office. The nursing home receives many shipments of food, resident supplies, medical equipment, janitorial supplies, office supplies and maintenance equipment. There are storerooms, refrigerators and freezers near the loading dock for storage. The storeroom technician manually maintains inventory records, a process that is cumbersome and inefficient.

Wolf Building

All shipments to the Wolf Building are delivered directly to the ordering offices. There is no central method of receiving.

Bechtel Building

Most shipments are delivered directly to the ordering offices. A building manager accepts shipments of janitorial supplies for storage in the basement.

PURPOSE AND SCOPE

The purpose of the audit was to:

- Determine if the controls over the receiving of goods are adequate.
 - Determine if the processes are efficient and effective.
 - Determine if implementation of the receiving function within ONESolution would be beneficial.
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METHODOLOGY

Our methodology included:

- Reviewing County policies for information pertaining to the receiving function.
- Interviewing staff at the various County buildings to learn the process for receiving goods.
- Conducting a walk-through of the loading dock and storage areas of the Courthouse, Gracedale and the Jail.
- Interviewing management in Fiscal Affairs and Procurement with regard to the ONESolution receiving function and stores inventory module.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT RESULTS

Section A – Internal Controls

1. Security of Gracedale Loading Dock

OBSERVATION

As one of the largest nursing homes in Pennsylvania, Gracedale receives many daily shipments of medical equipment, supplies and food. Almost all of those shipments are received at their loading dock where they're placed in storage rooms, refrigerators or freezers until they're needed. They have a watchman who patrols the loading dock area during the 2nd shift and an outside security agency that patrols the Gracedale premises on the 3rd shift.

As a County facility the Sheriff's Department has offered to review the security of Gracedale and install security cameras where necessary. These cameras would be monitored by Sheriff Personnel, and the video would be recorded and maintained for a period of time. The Sheriff's Department already maintains security cameras at the Courthouse, Bechtel and Wolf buildings. The presence of security cameras serves as a deterrent and also a method of detecting theft should it occur.

RECOMMENDATION

The management of Gracedale should contact the Sheriff's Department to have a security review of the loading dock area. Security cameras could be installed and monitored to help secure the assets of the nursing home.

MANAGEMENT RESPONSE

Dave Pinter, Gracedale Fiscal Administrator

The Sheriff's Department was contacted about surveillance cameras at Gracedale. Sheriff Sergeant Jeff Heller was at Gracedale to look at areas for camera placement. A preliminary plan was drawn up. The next step is to have the Sheriff's camera vendor come to Gracedale and develop a detailed plan of camera placement, etc.

Section B – Economy and Efficiency

1. Implementation of Receiving Function in ONESolution

OBSERVATION

One of the primary reasons for implementing the receiving function is that it would eventually allow the stores inventory module to be used by Gracedale and the Jail. This would replace their inefficient manual inventory system and provide a streamlined method of ordering new goods.

The receiving function is the part of the purchasing module that was never implemented by the County. It's advocated by the Procurement Division but other ONESolution users do not see the benefit of it, viewing it only as extra work. If goods are ordered through a purchase order in ONESolution, the user would be required to indicate in ONESolution how much of the merchandise was received and when. If made a part of the workflow, receiving merchandise through ONESolution could give the Accounts Payable section the authority to pay an invoice when it arrives, after the terms and quantity are agreed to the purchase order (PO) in ONESolution. In order to implement the receiving function:

- Employees would need additional training on entering PO's into ONESolution, differentiating between regular PO's and blanket PO's. Blanket PO's would not require use of the receiving function.
- A greater number of invoices would need to be encumbered instead of paid direct.
- The County would need assistance from Sungard for the setup, implementation and training.
- Employees would have to be trained on how to use the receiving function.
- Money/resources would have to be reallocated from other projects because nothing is budgeted for implementation of the receiving function.
- The process would have to be monitored for compliance and employees not complying would have to be directed on the proper method of establishing purchase orders, receiving merchandise and paying invoices.

If the receiving function was operational, the County could then consider the stores inventory module for Gracedale and the Jail. The module was not acquired by the County when they purchased ONESolution, so it would have to be purchased separately from Sungard. Additional costs would include the expense of setup and implementation of the software, and training the personnel. There would also be a significant time commitment from Gracedale and Jail employees to enter all of the items they purchase into ONESolution, assign a standard code to them, and set up vendor and ordering information. A stores inventory requires everyone involved with the system to buy into it and be diligent in recording all activity.

RECOMMENDATION

The ONESolution steering committee should continue their analysis of the pros and cons of implementing the receiving function and ultimately the stores inventory module. A site visit by the steering committee to an organization that uses the receiving function may provide answers by people that are users of the system. Including Gracedale and Jail employees in a site visit to an organization that uses the stores inventory would allow them to see exactly what they can expect and what will be expected of them.

The final decision on the receiving function and stores inventory module will be made by the County Executive, after he receives the recommendations of the steering committee.

MANAGEMENT RESPONSE

Dave Pinter, Gracedale Fiscal Administrator

Gracedale will be an active participant in any inventory system module.

Kathryn L. Anderson, C.P.M., Purchasing Manager

As a follow up to the audit you prepared for the receiving function, the topic was discussed at the last ERP steering committee meeting held June, 14, 2012, and is currently under review. ACS has begun testing the module in the ERP TEST system in order to obtain a familiarity on how it works and its effect on other modules. In addition, Sungard was requested to provide names of clients who currently use this module so we can contact them for further discussion.