



Mary Taylor, CPA
Auditor of State

ORSC BUSINESS ENTERPRISE PROGRAM
EQUIPMENT INVENTORY
PERFORMANCE AUDIT

SEPTEMBER 15, 2009



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Auditor of State

To the Commissioners and Staff of the Ohio Rehabilitation Service Commission, and Interested Citizens:

In response to a request for assistance from the Ohio Rehabilitation Services Commission (ORSC), the Auditor of State's Office conducted a performance audit of the physical asset management practices and inventory of the Business Enterprise Program (BEP or the Program). The audit provides an independent examination of BEP's physical asset inventory and asset management practices for the Program's services to visually impaired operators.

A report has been prepared which includes the project history; the scope, objectives and methodology of the performance audit; results of the audit; and recommendations. The performance audit report contains the results of the inventory and a comparative analysis to the prior year's inventory conducted for BEP. Auditors also conducted follow up work on recommendations made in the 2008 audit. The results of the follow up work are included in the 2009 report. Once fully implemented, these recommendations will provide operational improvements over physical asset management while enhancing efficiency and effectiveness of the organization. Although the recommendations contained in the audit report are resources intended to assist in improving operations within the Program, BEP is also encouraged to assess its operations and develop alternative strategies independent of the performance audit.

This report has been provided to BEP and its contents have been discussed with the Program administrators and other appropriate personnel. BEP has been encouraged to use the results of the performance audit as a resource in improving overall operations and delivery of services and to update its current physical asset records.

Additional copies of this report can be requested by calling the Clerk of the Bureau's office at (614) 466-2310 or toll free at (800) 282-0370. In addition, this performance audit can be accessed online through the Auditor of State of Ohio website at <http://www.auditor.state.oh.us/> by choosing the "Audit Search" option.

Sincerely,

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 15, 2009

Business Enterprise Program

The Ohio Rehabilitation Services Commission (ORSC) provides vocational rehabilitation services to eligible Ohioans with disabilities who seek employment. In particular, the Bureau of Services for the Visually Impaired (BSVI) and the Business Enterprise Program (BEP or the Program) provides people who are legally blind with employment opportunities as managers and operators of foodservice and vending facilities. In 2009, BEP facility groups were divided into seven regions and included 110 distinct facilities and one centralized storage area.

Objectives, Scope and Methodology

On November 11, 2008,¹ ORSC engaged the Auditor of State's Office (AOS) to conduct a second audit of its physical asset inventory of the equipment owned by ORSC for the purposes of operating the BEP.² This audit was conducted in accordance with generally accepted government auditing standards. The audit procedures were designed to satisfy the scope of the audit and, as a result, may not detect misstatements, significant control deficiencies, or noncompliance that might be significant to ORSC.

The scope of the audit included conducting a physical count of all BEP program equipment and comparing it to the existing inventory. The results of this audit were then compared to the results of the original equipment inventory's exception and variance rates established in the December 9, 2008 report.

Ohio Administrative Code (OAC) 3304:1-21-05 describes equipment used for the Business Enterprise Program as owned by the ORSC BSVI. Equipment includes any item with a depreciable life of more than one year. The OAC also describes the authority and responsibility of the BSVI and its employees. OAC 3340:1-21-11(D)(7) requires the BEP supervisor/specialist to "perform an annual performance appraisal, an annual equipment inventory, an annual records review, an annual budget projection, and such facility visits as required to document management and operational deficiencies and to support plans of corrective action." OAC 3340:1-21-11(D)(9) requires the BEP supervisor/specialist to, "ensure that all facility equipment is maintained in good repair and an attractive condition; and conduct an annual physical inventory of equipment between April and June of each year." These OAC requirements complement the Code of Federal Regulations (CFR) 34 Chapter III SS 395.3a. (5), which

¹ The contract was updated on April 7, 2009.

² On February 4, 2008, ORSC engaged the Auditor of State's Office (AOS) to audit its physical asset inventory of the equipment owned by ORSC for the purposes of operating the BEP. This audit was released on December 9, 2008.

requires state licensing agencies to note “the policies to be followed in making suitable vending facility equipment and adequate initial stock available to a vendor.”

To determine the extent to which BEP complied with applicable OAC and CFR requirements, AOS used the most current detailed list of BEP facilities and sites generated from ORSC’s Business Enterprise Asset Management Software (BEAMS) and made site visits to every facility. At each facility, auditors verified and documented the on-site inventory and, where appropriate, recorded discrepancies between physical assets and the information maintained in BEAMS.

These discrepancies were categorized as exceptions³ and variances.⁴ Although there was some overlap among exceptions and variances, generally, exceptions were BEP inventory tag issues and variances comprised all other issues identified during the inventory verification process. The number of exceptions and variances identified during the site visits were converted to a percentage for the purposes of this report. Since only one exception could be counted per inventory item, the exception percentages were calculated by dividing the number of exceptions found by the total number of exceptions possible (one exception per inventory item). Three variances could be noted for each inventory item (errors in location, serial number, or model number); therefore, the variance percentage was calculated by dividing the number of variances found by the total number of variances possible (three variances per inventory item). Because BEP maintains a large volume of assets estimated to have a substantial value (approximately \$12.4 million), it is essential that an accurate inventory and asset disposition record is maintained.

This report contains summary tables of the exceptions and variances identified during the audit. Detailed records were provided to BEP. In addition, the report notes that process improvements undertaken by BEP have led to better inventory results (see **2008 Recommendation Status**). The efforts of improving controls by management and staff’s understanding of these controls and procedures led to improved audit results. However, procedural issues and methods used for tracking, transferring, and storing equipment were again identified as factors contributing the exceptions and variances noted in the audit.

³ An exception was noted if equipment was not tagged in accordance with BEP inventory tagging procedures. Specifically, if a unit of equipment was onsite and did not have an accurate BEP inventory tag, it was noted as an exception. In addition, if the equipment was listed on the BEAMS active equipment report and was not found in the facility, an exception was noted.

⁴ A variance was noted when the equipment at the facility, according to the BEAMS report, was not documented correctly in the system because of its location, serial number, and model number.

Cyclical Physical Inventory Counts

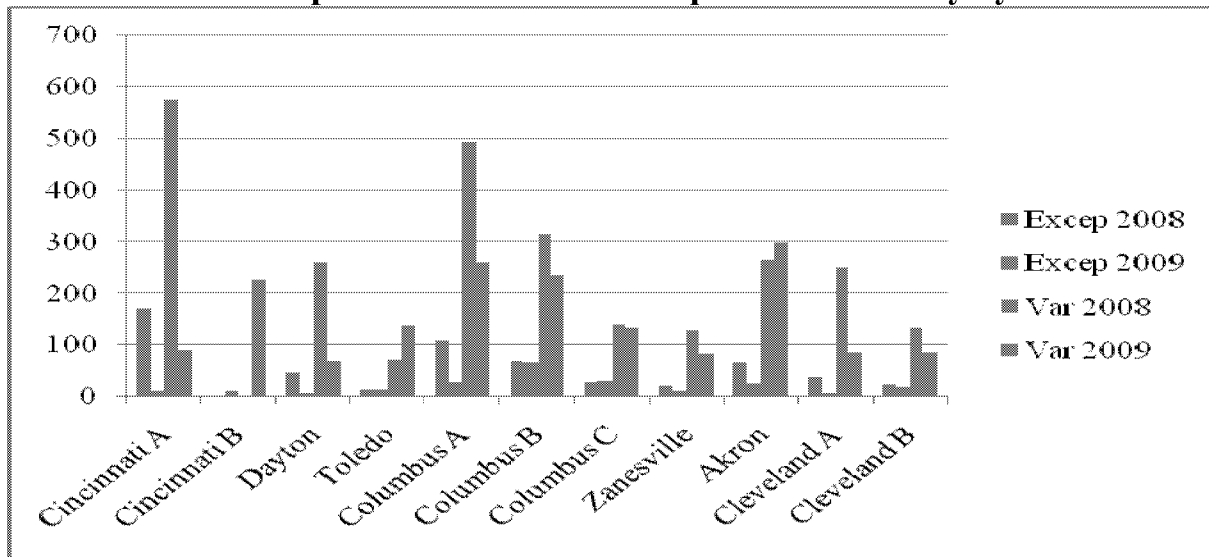
Recommendation 2 in the BEP performance audit released on December 9, 2008 suggests that BEP establish an inventory schedule that includes both wall-to-wall and cyclical physical inventory counts. The transition to cyclical counts would be predicated on an accuracy threshold for exceptions of 95 percent⁵. Facilities that have exceptions in this current inventory cycle of 5 percent or less could be eligible for cyclical counts the next year if BEP chooses to implement this methodology. Variances are an indicator of data entry and inventory process issues and should be considered when the exception percentage is near the measure limits. For example, a facility with 94.5 percent accuracy may be considered for cyclical audits if the variance percentage were low, say less than 15 percent. While wall-to-wall counts could continue to be the standard used for physical counts every year, cyclical counts could be supplemented when appropriate. Staff experience, agency rules, and prior year's inventory accuracy should also be considered when determining the appropriateness of using a cyclical inventory.

As an example, this performance audit will consider a facility for cyclical counts (every two years) if the exception percentage is 5 percent or less. In addition, the facility will be considered for cyclical counts if the exception percentage is between 6 percent and the 5 percent limit and the variance percentage is 15 percent or less. Those facilities with exception and variance percentages in excess of the limits should be maintained on a wall to wall inventory every year.

Summary Report of Active Facility Inventories

The following tables document the results of the audit of BEP's physical asset inventory and illustrate the discrepancies and differences in the physical assets and the BEAMS inventory report. At the time of the audit, BEP comprised 110 facilities with more than 100 operators and managed by 9 specialists, which were organized into 7 districts. The Cincinnati, Columbus, and Cleveland districts (District 1, District 4, and District 7) are subdivided into regions. **Exhibit 1** illustrates the number of exceptions and variances by district and region.

⁵ Establishing accountability is the first key factor described in a report published by the Government Accountability Office in 2002, "Best Practice in Achieving Consistent Accurate Physical Counts of Inventory and Related Property" (GAO-02-447G Best Practices in Inventory Counts) and could be used by management for as a basis setting error tolerance to use a cyclical inventory.

Exhibit 1: Exception and Variance Comparison Summary by District

District/Major City		Exceptions				Variances				
		2008	%	2009	%	2008	%	2009	%	
District 1¹	Cincinnati A	171	26%	13	6%	576	29%	91	13%	
	Cincinnati B	--	--	13	3%	260	19%	226	20%	
District 2	Dayton	47	10%	7	2%	260	19%	69	6%	
District 3	Toledo	14	4%	15	5%	72	8%	139	16%	
District 4	Columbus A	109	24%	29	7%	495	37%	260	22%	
	Columbus B	70	16%	66	14%	315	24%	236	17%	
	Columbus C	29	10%	32	11%	142	16%	133	15%	
District 5	Zanesville	21	6%	13	4%	130	13%	84	9%	
District 6	Akron	68	16%	27	7%	266	20%	299	24%	
District 7	Cleveland A	39	10%	6	2%	251	22%	87	9%	
	Cleveland B	23	6%	20	6%	133	12%	85	8%	
		Total Exceptions	591		241		Total Variances	2,640		1713
		Total Equipment	4,140		3,845		Possible Variances	12,420		11,535
		Mean % Exception	14%		6%		Mean % Variance	21%		15%

Source: BEP and AOS

Note: Percentage exception and variance calculated using exceptions and variances divided by total equipment units.

¹District 1 was one district under one specialist in 2008. In 2009, the district was divided and placed under the management of two specialists.

In 2009, AOS identified State-wide variances in 15 percent of the equipment in BEAMS, down from 21 percent in 2008. Exceptions reported improved even more dramatically from 2008 to 2009. The majority of the exceptions, approximately 6 percent of the equipment, did not have an asset tag with a number that matched the asset tag number recorded in BEAMS. This is a significant improvement from 2008, when approximately 14 percent of the equipment did not have the proper asset tag.

Truncated serial numbers were a significant cause of the high percentage of variances in 2008 and the improvement in this measure is due to the diligent effort of specialists and communications with the central office to update BEAMS and improve inventory management. However, specialists indicated that data entry was beyond their control.

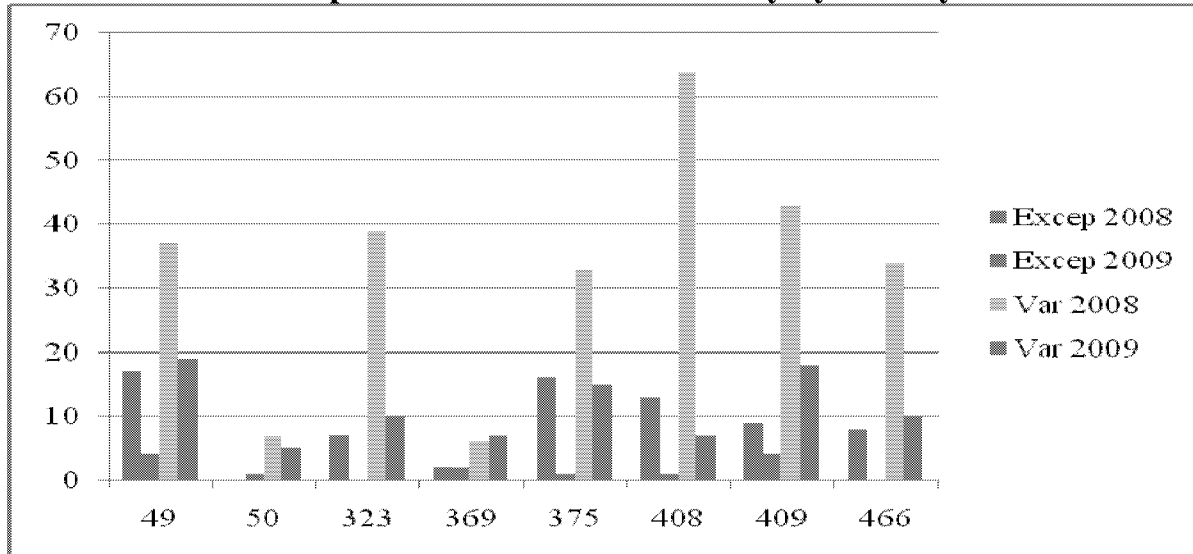
Data elements—the model number, description, and serial number—are entered into the BEAMS system at the central office. The central office also prepares and forwards equipment tags to specialists to tag the equipment. Although the specialists have access to BEAMS information to check the data elements, the duty of maintaining the information is segregated and part of the function of central office staff. Errors that are variances fall into one of the three data elements that, upon inspection, do not match the information in the database.

Errors labeled as exceptions are considered a more important measure of inventory accuracy. If the equipment record from the database does not match the onsite inspection of the equipment tags, BEP specialists must update and make corrections with the central office. This requires the specialist to identify where the asset came from, determine if the equipment is new or transferred, and determine how the asset came to be at the location.

This inventory performance audit recognizes the reduction in the number of exceptions noted from 2008 to 2009. Further improvements are expected to result from BEP's decision to centralize storage and equipment transfers in 2009.

Exhibit 2a shows the results of exception and variance analysis for the eight facilities in District 1, Cincinnati Region A.

**Exhibit 2a: District 1, Cincinnati Region A
Exception and Variance Summary by Facility**



Facility	Equipment Count BEAMS		Equipment Count AOS		Exceptions		Percent Exceptions		Variances		Percent Variances	
	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
49	28	43	45	44	17	4	38%	9%	37	19	27%	14%
50	16	17	17	18	0	1	0%	6%	7	5	14%	9%
323	31	26	38	26	7	0	18%	0%	39	10	34%	14%
369	9	13	9	14	2	2	22%	14%	6	7	22%	17%
375	24	27	36	32	16	1	44%	3%	33	15	31%	16%
408	43	39	46	39	13	1	28%	3%	64	7	46%	6%
409	18	18	21	21	9	4	43%	19%	43	18	68%	29%
466	17	33	8	33	8	0	24%	0%	34	10	34%	10%
Totals	186	216	220	227	72	13			263	91		
					2008		2009		2008		2009	
Total Exceptions/Variances					72		13		263		91	
Total Equipment					220		227		660		681	
Percent Exceptions/Variances					33%		6%		40%		14%	

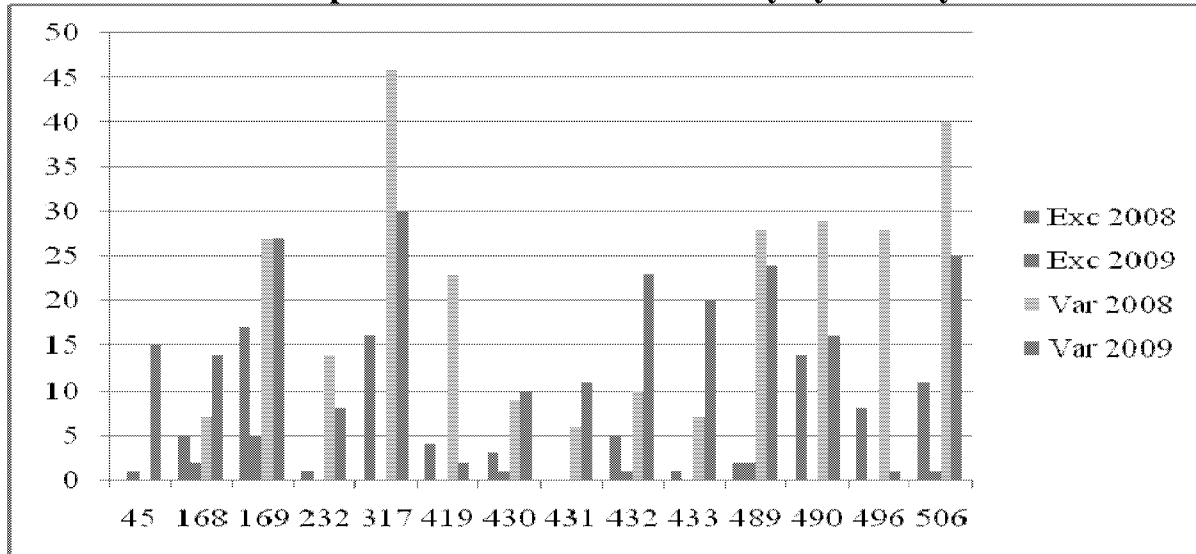
Source: AOS

Note: Percentage Exceptions/Variances calculated using exceptions and variances divided by total equipment.

As illustrated in **Exhibit 2a**, exceptions decreased from 33 percent to 6 percent and variances decreased from 40 percent to 14 percent. The Graph highlights a slight increase in exceptions for Facility 50 and a slight increase in variances from the prior year for Facility 369. Four of the eight facilities in this region should be considered for cyclical equipment inventory counts based on the example methodology (facilities 323, 375, 408, and 466).

Exhibit 2b shows the results of exception and variance analysis for District 1 Cincinnati Region B. This region includes 14 separate facilities.

**Exhibit 2b: District 1, Cincinnati Region B
Exception and Variance Summary by Facility**



Facility	Equipment Count BEAMS		Equipment Count AOS		Exceptions		Percent Exceptions		Variances		Percent Variances	
	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
45	17	18	17	19	0	1	0%	5%	0	15	0%	26%
168	13	17	15	17	5	2	33%	12%	7	14	16%	27%
169	53	69	61	73	17	5	28%	7%	27	27	15%	12%
232	39	38	39	38	1	0	3%	0%	14	8	12%	7%
317	37	36	46	38	16	0	35%	0%	46	30	33%	26%
419	21	19	21	20	4	0	19%	0%	23	2	37%	3%
430	10	8	10	9	3	1	30%	11%	9	10	30%	37%
431	9	11	9	12	0	0	0%	0%	6	11	22%	31%
432	16	17	18	17	5	1	28%	6%	10	23	19%	45%
433	14	14	16	14	1	0	6%	0%	7	20	17%	48%
489	22	33	30	35	2	2	7%	6%	28	24	31%	23%
490	19	29	28	29	14	0	50%	0%	29	16	35%	18%
496	26	28	33	28	8	0	24%	0%	28	1	28%	1%
506	19	26	28	26	11	1	39%	4%	40	25	48%	32%
Totals	315	363	371	375	87	13			274	226		
							2008	2009			2008	2009
Total Exceptions/Variances							87	13			274	226
Total Equipment							371	375			1,113	1,125
Percent Exceptions/Variances							23%	3%			25%	20%

Source: AOS

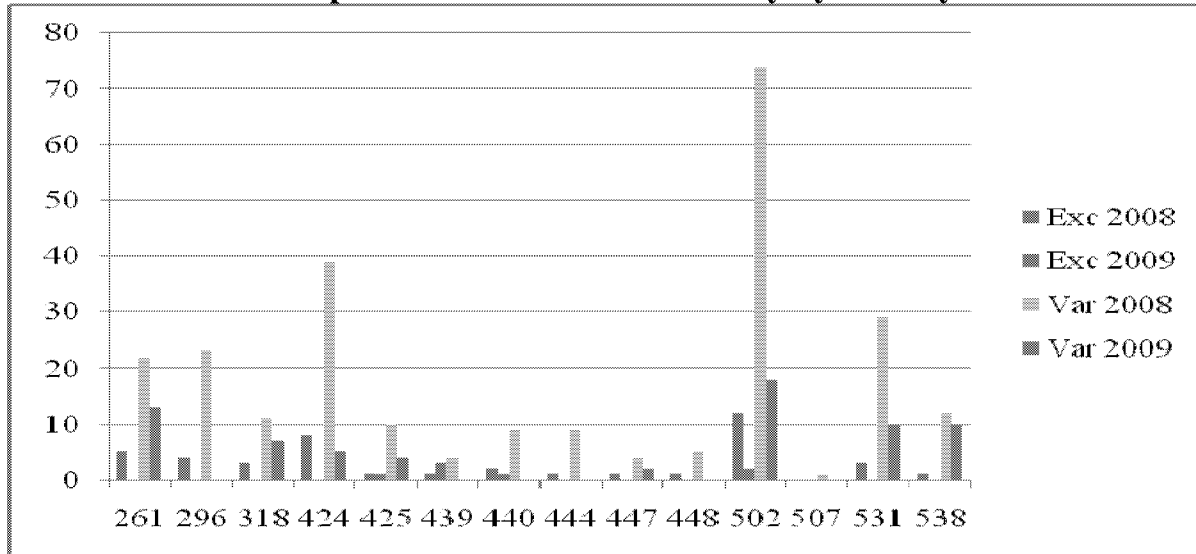
Note: Percentage Exceptions/Variances calculated using exceptions and variances divided by total equipment.

As illustrated in **Exhibit 2b**, exceptions decreased from 23 percent to 3 percent and variances decreased from 25 percent to 20 percent. Although the graph highlights a slight increase in exceptions for Facility 45 and a slight increase in variances from the prior year for Facilities 431 and 432, this region showed significant reductions in the exceptions since 2008.

BEP may wish to consider placing 9 of the 14 facilities on cyclical equipment inventory counts (facilities 45, 232, 317, 419, 431, 433, 490, 498, and 506) for 2010. However, the variances are approximately 20 percent and this should be taken into consideration, along with other risk factors, when facilities are close to the acceptable exception limit.

District 2 covers the central portion of western Ohio and includes 14 separate facilities. **Exhibit 3** illustrates the results of the physical asset review for District 2.

Exhibit 3: District 2, Dayton Region Exception and Variance Summary by Facility



Facility	Equipment Count BEAMS		Equipment Count AOS		Exceptions		Percent Exceptions		Variances		Percent Variances	
	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
261	35	37	37	37	5	0	14%	0%	22	13	20%	12%
296	31	28	35	28	4	0	11%	0%	23	0	22%	0%
318	34	34	34	36	3	0	9%	0%	11	7	11%	6%
424	43	48	48	48	8	0	17%	0%	39	5	27%	3%
425	22	22	22	22	1	1	5%	5%	10	4	15%	6%
439	8	5	8	8	1	3	13%	38%	4	0	17%	0%
440	13	10	13	11	2	1	15%	9%	9	0	23%	0%
444	15	4	15	4	1	0	7%	0%	9	0	20%	0%
447	11	9	11	10	1	0	9%	0%	4	2	12%	7%
448	9	9	9	9	1	0	11%	0%	5	0	19%	0%
502	58	55	68	57	12	2	18%	4%	74	18	36%	11%
507	2	2	2	2	0	0	0%	0%	1	0	17%	0%
531	35	36	38	37	3	0	8%	0%	29	10	25%	9%
538	84	88	84	88	1	0	1%	0%	12	10	5%	4%
Totals	400	387	424	397	43	7			252	69		
						2008		2009		2008		2009
Total Exceptions/Variances						43		7		252		69
Total Equipment						424		397		1272		1,191
Percent Exceptions/Variances						10%		2%		20%		6%

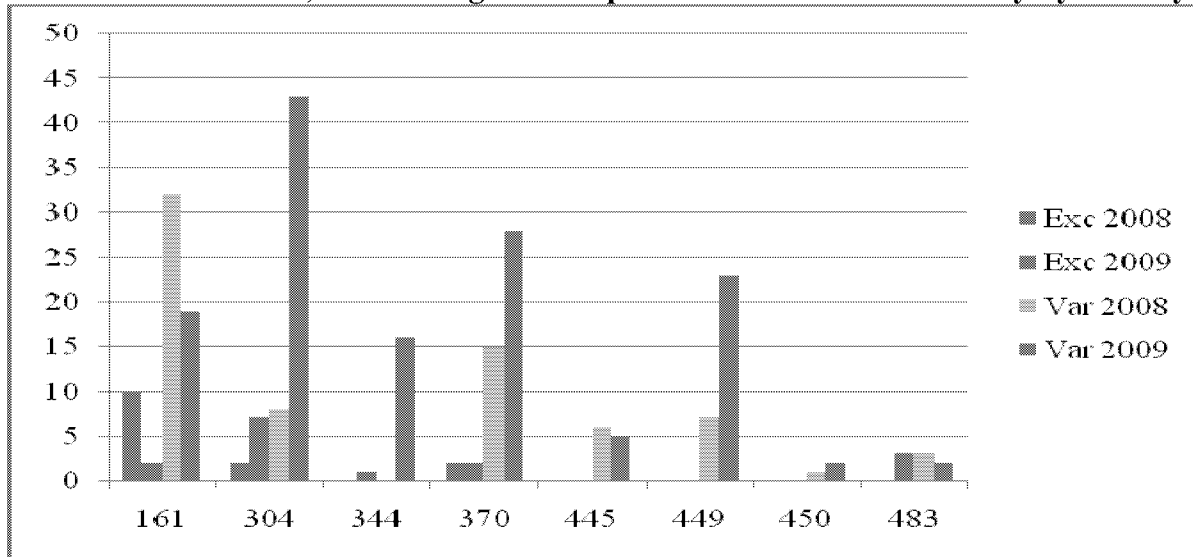
Source: AOS

Note: Percentage Exceptions/Variances calculated using exceptions and variances divided by total equipment.

As illustrated in **Exhibit 3**, exceptions decreased from 10 percent to 2 percent and variances decreased from 20 percent to 6 percent. The graph highlights a significant increase in exceptions for Facility 439, but a decrease in its variances. The increase in exceptions in Facility 439 is insignificant to the district because it makes up only 2 percent of the total pieces of equipment in the district (8 of 397 pieces).

BEP may wish to consider 12 of the 14 facilities in this district for cyclical equipment inventory counts (facilities 261, 296, 318, 424, 425, 444, 447, 448, 502, 507, 531, and 538) in 2010. However, during the course of this inventory, the Specialist assigned to this district resigned. Therefore, BEP should consider the additional risk that an inexperienced specialist might contribute to accuracy of the next inventory cycle.

District 3 covers the northwestern portion of Ohio and includes nine separate facilities. **Exhibit 4** illustrates the exceptions and variances noted in District 3.

Exhibit 4: District 3, Toledo Region Exception and Variance Summary by Facility

Facility	Equipment Count BEAMS		Equipment Count AOS		Exceptions		Percent Exceptions		Variances		Percent Variances	
	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
161	53	35	54	36	10	2	19%	6%	32	19	20%	18%
304	88	81	88	83	2	7	2%	8%	8	43	3%	17%
344	22	22	22	22	0	1	0%	5%	0	16	0%	24%
370	48	48	52	48	2	2	4%	4%	15	28	10%	19%
445	12	14	15	14	0	0	0%	0%	6	5	13%	12%
449	38	41	41	41	0	0	0%	0%	7	23	6%	19%
450	11	11	11	11	0	0	0%	0%	1	2	3%	6%
483	28	29	29	30	0	3	0%	10%	3	2	3%	6%
543 ¹		8		8		0		0%		1		4%
Totals	300	289	312	293	14	15			72	139		
						2008		2009		2008		2009
Total Exceptions/Variances						14		15		72		139
Total Equipment						312		293		936		879
Percent Exceptions/Variances						4%		5%		8%		16%

Source: AOS

Note: Percentage Exceptions/Variances calculated using exceptions and variances divided by total equipment.

¹Facility # 543 not included in 2008 report.

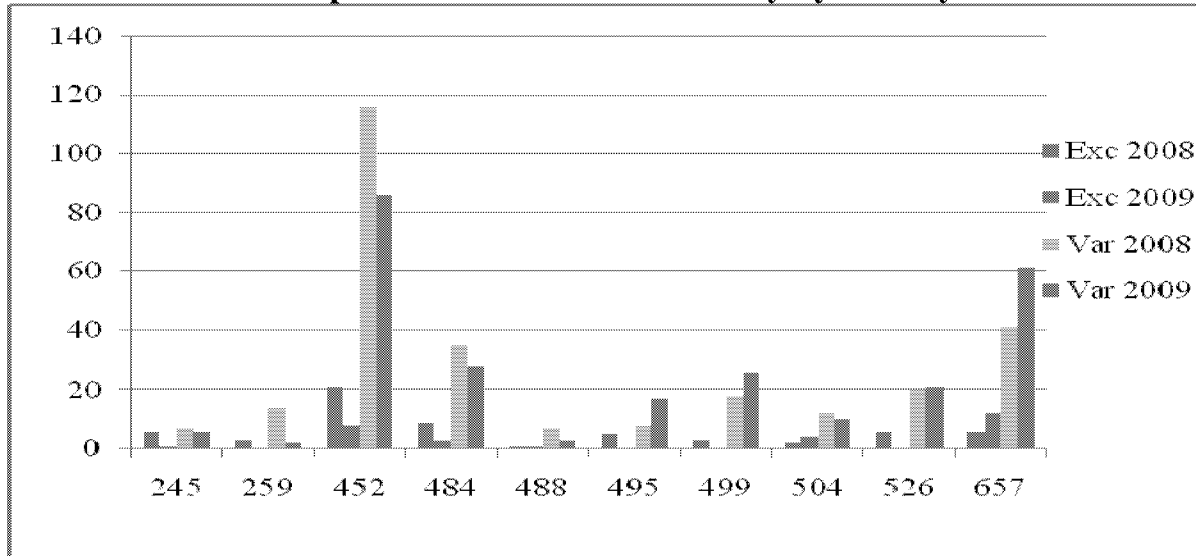
The exception rate for District 3 was 5 percent in 2009, an increase of 1 percent from the previous year. The increase can be attributed to additional workload assigned to existing staff due to early retirements. In addition, the variance rate increased from 8 percent in 2008 to 16 percent in 2009. While the exception rate meets the criteria for cyclical equipment inventory

counts, the increase in the exception and variance rates warrants close monitoring of asset management operations to ensure improvements in future equipment inventory counts.

Although six of the nine facilities in this district would be appropriate for cyclical equipment inventory counts (344, 370, 445, 449, 450, and 543) in 2010, facility 543 is a new facility and should be subjected to a wall to wall count again to establish its performance over two inventory cycles.

District 4 covers Columbus and central Ohio and is managed by three different specialists. Columbus Region A includes 10 separate facilities and is shown in **Exhibit 5**. Columbus Region B includes 10 separate facilities and is shown in **Exhibit 6**. Finally, Columbus Region C includes 10 separate facilities and is shown in **Exhibit 7**.

Exhibit 5: District 4, Columbus Region A Exception and Variance Summary by Facility



Facility	Equipment Count BEAMS		Equipment Count AOS		Exceptions		Percent Exceptions		Variances		Percent Variances	
	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
245	21	21	22	21	6	1	27%	5%	7	6	11%	10%
259	23	23	26	23	3	0	12%	0%	14	2	18%	3%
452	87	69	108	80	21	8	19%	10%	116	86	36%	36%
484	50	54	56	56	9	3	16%	5%	35	28	21%	17%
488	23	23	23	23	1	1	4%	4%	7	3	10%	4%
495	21	21	22	23	5	0	23%	0%	8	17	12%	25%
499	27	27	28	27	3	0	11%	0%	18	26	21%	32%
504	27	26	27	28	2	4	7%	14%	12	10	15%	12%
526	31	25	31	25	6	0	19%	0%	20	21	22%	28%
657	54	80	58	97	6	12	10%	12%	41	61	24%	21%
Totals	364	369	401	403	62	29			278	260		
							2008	2009			2008	2009
Total Exceptions/Variances					62	29			278	260		
Total Equipment					401	403			1,203	1,209		
Percent Exceptions/Variances					15%	7%			23%	22%		

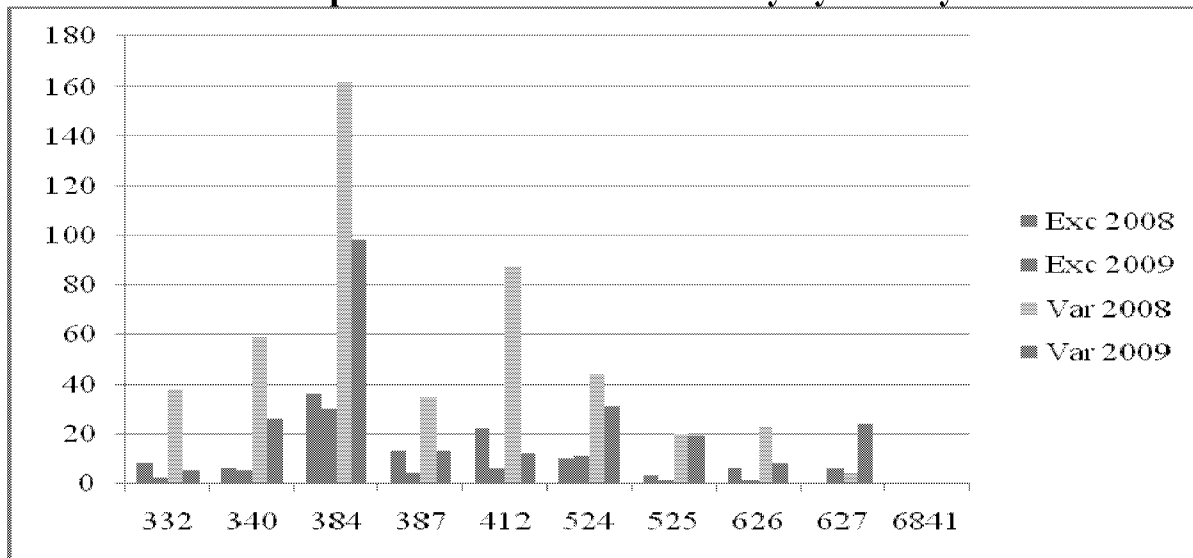
Source: AOS

Note: Percentage Exceptions/Variances calculated using exceptions and variances divided by total equipment.

As shown in Exhibit 5, the Columbus Region A exception rate is 7 percent, less than half of the rate from the previous year (15 percent). However, the variance rate remained consistent. BEP

may wish to consider 7 of the 10 facilities in this region of District for cyclical equipment inventory counts in 2010 (facilities 245, 259, 484, 488, 495, 499, and 526).

Exhibit 6: District 4, Columbus Region B Exception and Variance Summary by Facility



Facility	Equipment Count BEAMS		Equipment Count AOS		Exceptions		Percent Exceptions		Variances		Percent Variance	
	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
332	27	5	35	5	8	2	23%	40%	38	5	36%	33%
340	23	32	41	42	6	5	15%	12%	59	26	48%	21%
384	82	88	115	99	36	30	31%	30%	162	98	47%	33%
387	22	29	27	29	13	4	48%	14%	35	13	43%	15%
412	42	35	51	37	22	6	43%	16%	88	12	58%	11%
524	47	57	56	63	10	11	18%	17%	44	31	26%	16%
525	45	44	47	48	3	1	6%	2%	20	19	14%	13%
626	21	38	29	40	6	1	21%	3%	23	8	26%	7%
627	23	36	24	43	0	6	0%	14%	4	24	6%	19%
684 ¹		62		62		0		0%		0		0%
Totals	332	426	425	468	104	66			473	236		
						2008		2009		2008		2009
Total Exceptions/Variations						104		66		473		225
Total Equipment						425		468		1275		1,404
Percent Exceptions/Variations						24%		14%		37%		16%

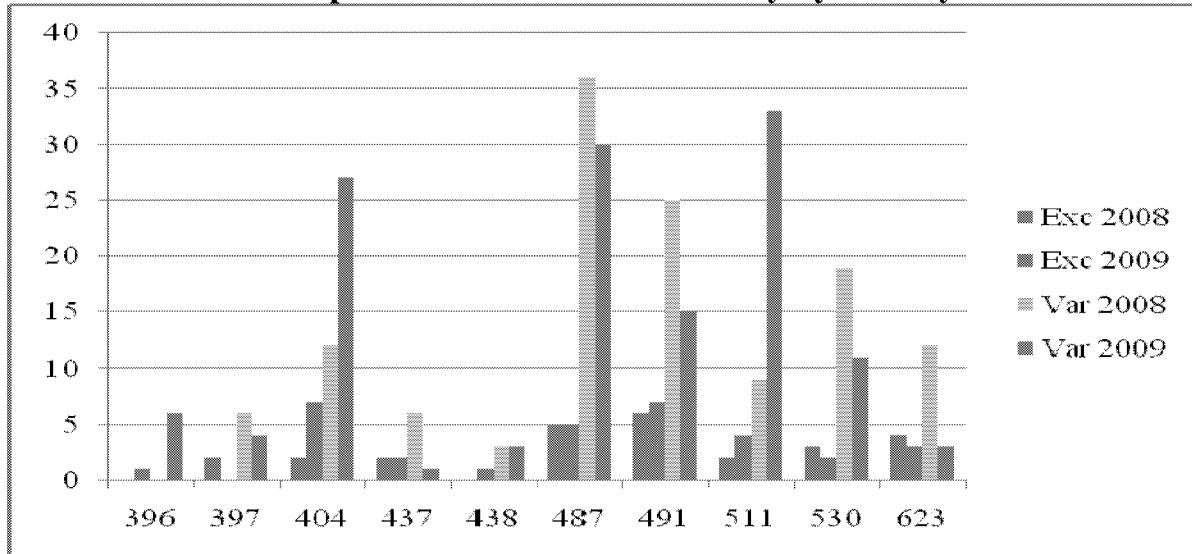
Source: AOS

Note: Percentage Exceptions/Variations calculated using exceptions and variances divided by total equipment.

¹ Facility 684 not included in 2008 report.

As shown in **Exhibit 6**, the Columbus Region B exception rate is 14 percent, nearly half the 2008 rate but still above the performance goal of 5 percent. The variance rate significantly improved, decreasing by approximately 58 percent of the 2008 rate (37 percent). Only three of the 10 facilities in this region of District 4 would be considered appropriate for cyclical equipment inventory counts in 2010 (facilities 525, 626, and 684). Facility 684 is a new facility and would benefit from being recounted in the next inventory to establish its consistent performance over two cycles.

**Exhibit 7: District 4, Columbus Region C
Exception and Variance Summary by Facility**



Facility	Equipment Count BEAMS		Equipment Count AOS		Exceptions		Percent Exceptions		Variances		Percent Variances	
	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
396	7	8	7	9	0	1	0%	11%	0	6	0%	22%
397	14	13	14	13	2	0	14%	0%	6	4	14%	10%
404	45	47	46	51	2	7	4%	14%	12	27	9%	18%
437	16	16	16	16	2	2	13%	13%	6	1	13%	2%
438	17	16	17	16	0	1	0%	6%	3	3	6%	6%
487	37	38	43	43	5	5	12%	12%	36	30	28%	23%
491	22	23	25	25	6	7	24%	28%	25	15	33%	20%
511	48	55	49	59	2	4	4%	7%	9	33	6%	19%
530	18	19	20	24	3	2	15%	8%	19	11	32%	15%
623	28	31	31	32	4	3	13%	9%	12	3	13%	3%
Totals	252	266	268	288	26	32			128	133		
						2008		2009		2008		2009
Total Exceptions/Variances						26		32		128		133
Total Equipment						268		288		804		864
Percent Exceptions/Variances						10%		11%		16%		15%

Source: AOS

Note: Percentage Exceptions/Variances calculated using exceptions and variances divided by total equipment.

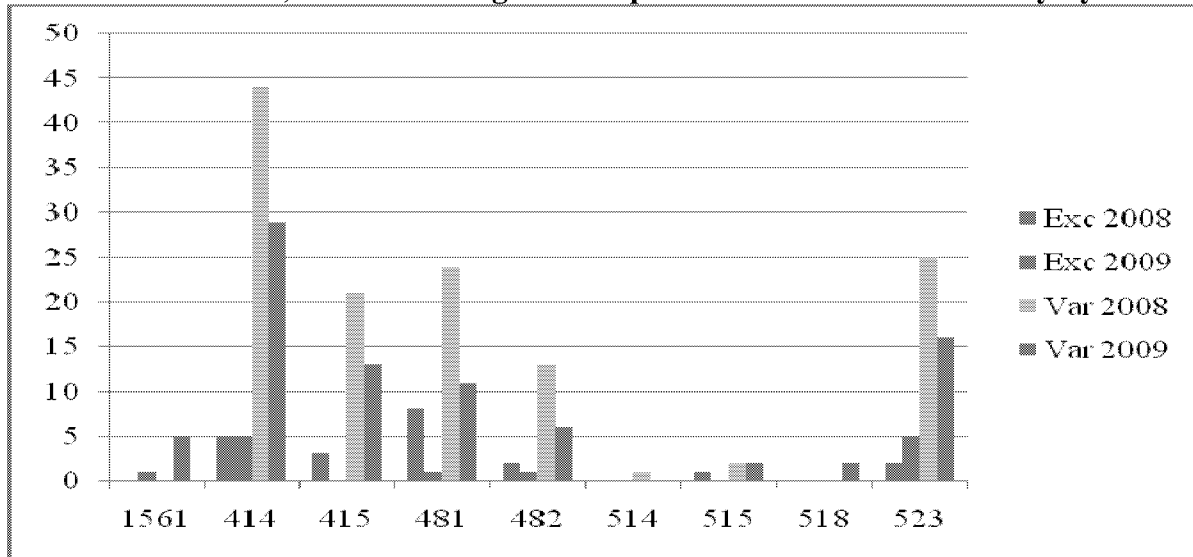
As shown in **Exhibit 7**, the Columbus C region's exception rate increased slightly from 2008, and its variance rate decreased from 16 percent to 15 percent. Exceptions and/or variances increased markedly in facilities 404, 489, 491, and 511. Only two of its ten facilities would be considered appropriate for cyclical equipment inventory counts based on the thresholds⁶ identified in *Best Practices in Achieving Consistent Accurate Physical Counts of Inventory and Related Property* (GAO-02-447G, 2002) including both facilities 397 and 438. However, considering that exceptions or variances, or both factors increased in several facilities, BEP should consider retaining the "wall to wall" methodology for these facilities and perhaps add mid-year inventory checks to improve its inventory compliance before the next cycle.

Exhibits 5, 6, and 7 show that the three regions in District 4 all exceeded 5 percent exceptions threshold. Columbus A has the lowest exception rate when compared to Columbus B or Columbus C. Variances ranged from 2 percent to 36 percent, depending on the facility, which places the Columbus facilities in the category of "higher than average" exceptions and variances. As a whole, District 4 has exception and variance rates of 11 percent and 17.8 percent, respectively.

The higher exception and variance rates in District 4 are related to it being the recipient of the centralized storage contract and oversight responsibility. In addition, two of the District 4 specialists accepted ORSC's ERI proposal, hence turnover and the consolidation of all equipment storage likely added to the exception and variance results. Therefore, BEP should continue its efforts in maintaining accurate storage accounting and inventory transfers and train new staff in the methods and importance of the inventory accuracy at each facility.

District 5, comprising 8 facilities, covers east central Ohio, including facilities to the north and south of Interstate 70 and outside the Columbus area. This region is overseen by one specialist. **Exhibit 8** displays the results of the inventory.

⁶ Ibid.

Exhibit 8: District 5, Zanesville Region Exception and Variance Summary by Facility

Facility	Equipment Count BEAMS		Equipment Count AOS		Exceptions		Percent Exceptions		Variances		Percent Variances	
	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
156 ¹		25		25		1		4%		5		7%
414	93	83	94	86	5	5	5%	6%	44	29	16%	11%
415	51	34	51	37	3	0	6%	0%	21	13	14%	12%
481	49	27	49	27	8	1	16%	4%	24	11	16%	14%
482	36	34	37	34	2	1	5%	3%	13	6	12%	6%
514	13	13	13	13	0	0	0%	0%	1	0	3%	0%
515	17	20	17	20	1	0	6%	0%	2	2	4%	3%
518	15	15	15	15	0	0	0%	0%	0	2	0%	4%
523	59	60	64	60	2	5	3%	8%	25	16	13%	9%
Totals	333	311	340	317					130	84		
						2008		2009		2008		2009
Total Exceptions/Variances						21		13		130		84
Total Equipment						340		317		1,020		951
Percent Exceptions/Variances						6%		4%		13%		9%

Source: AOS

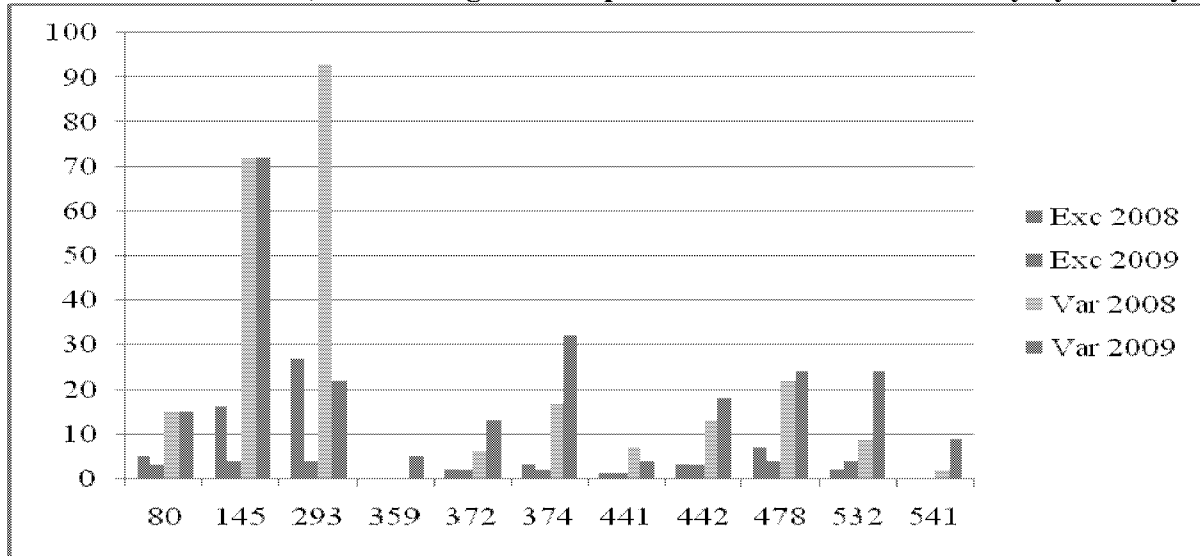
Note: Percentage Exceptions/Variances calculated using exceptions and variances divided by total equipment.

¹ Facility 156 not included in 2008 report.

Exhibit 8 shows that the exceptions for District 5 decreased from 6 percent in 2008 to 4 percent in 2009. The District also improved its variance rate to 9 percent in 2009 down from 13 percent in 2008. All but one of the facilities in this District would be considered appropriate for cyclical equipment inventory counts in 2010 (facilities 156, 414, 415, 481, 482, 514, 515, and 518).

District 6 covers northeastern Ohio and includes 11 facilities around the Akron area. It is managed by one specialist. The results of the inventory are shown in **Exhibit 9**.

Exhibit 9: District 6, Akron Region Exception and Variance Summary by Facility



Facility	Equipment Count BEAMS		Equipment Count AOS		Exceptions		Percent Exceptions		Variances		Percent Variances	
	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
80	43	59	45	62	5	3	11%	5%	15	15	11%	11%
145	82	86	97	92	16	4	16%	4%	72	72	25%	25%
293	76	59	82	59	27	4	33%	7%	93	22	38%	12%
359	11	13	11	13	0	0	0%	0%	0	5	0%	13%
372	33	30	33	32	2	2	6%	6%	6	13	6%	14%
374	38	39	41	40	3	2	7%	5%	17	32	14%	27%
441	18	19	20	20	1	1	5%	5%	7	4	12%	7%
442	28	23	30	28	3	3	10%	11%	13	18	14%	21%
478	18	13	21	16	7	4	33%	25%	22	24	35%	50%
532	17	20	20	22	2	4	10%	18%	9	24	15%	36%
541	12	15	13	17	0	0	0%	0%	2	9	5%	18%
Totals	376	376	413	401	66	27			256	299		
							2008	2009			2008	2009
Total Exceptions/Variances							66	27			256	299
Total Equipment							413	401			1,239	1,203
Percent Exceptions/Variances							16%	7%			21%	25%

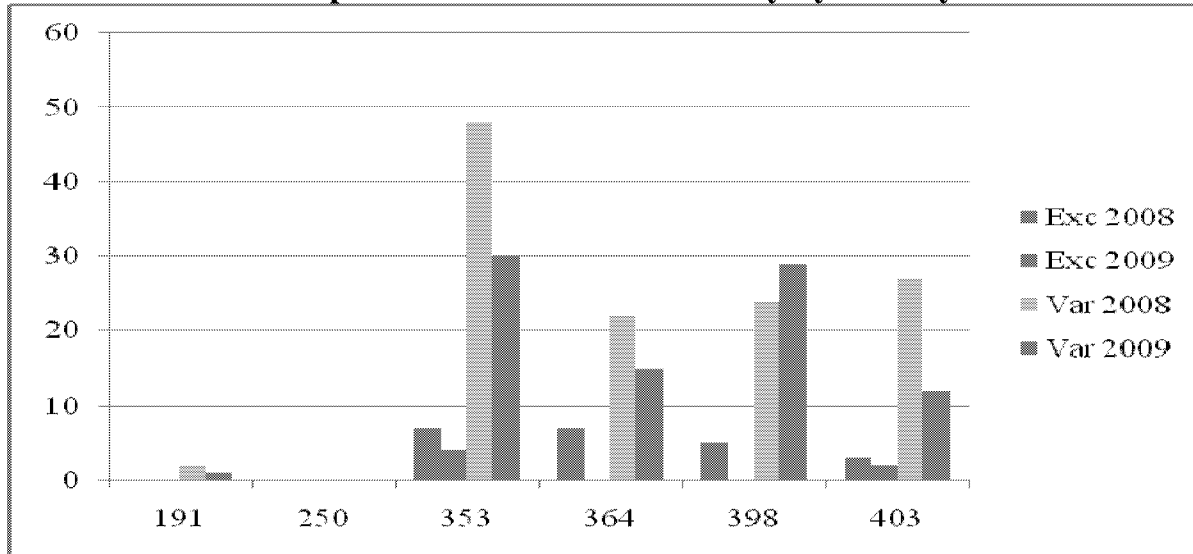
Source: AOS

Note: Percentage Exceptions/Variances calculated using exceptions and variances divided by total equipment.

Exhibit 9 shows that the exceptions for District 6 improved by approximately 56 percent, decreasing from 16 percent in 2008 to 7 percent in 2009. However, the variance rate increased from 21 percent to 25 percent. Seven of the eleven facilities would be considered appropriate candidates to participate in cyclical equipment audit counts in 2010 (facilities 80, 145, 359, 372, 374, 441, and 541).

District 7 covers the most northern facilities in the State, including those in the greater Cleveland area. This District is divided into two regions, each of which is overseen by a specialist. Cleveland Region A includes six separate facilities and is illustrated in **Exhibit 10**. Cleveland Region B includes eight separate facilities and is illustrated in **Exhibit 11**.

**Exhibit 10: District 7, Cleveland Region A
Exception and Variance Summary by Facility**

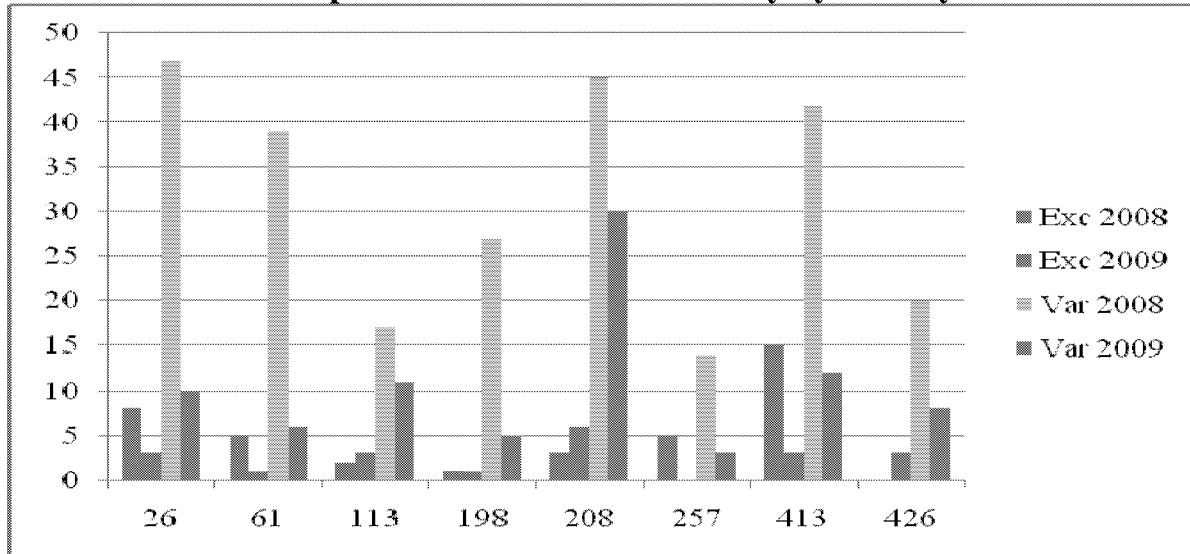


Facility	Equipment Count BEAMS		Equipment Count AOS		Exceptions		Percent Exceptions		Variances		Percent Variances	
	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
191	14	14	15	14	0	0	0%	0%	2	1	4%	2%
250	12	12	12	12	0	0	0%	0%	0	0	0%	0%
353	85	81	90	87	7	4	8%	5%	48	30	18%	11%
364	113	112	114	113	7	0	6%	0%	22	15	6%	4%
398	34	28	36	35	5	0	14%	0%	24	29	22%	28%
403	42	43	51	48	3	2	6%	4%	27	12	18%	8%
Totals	300	290	318	309	22	6			123	87		
					2008	2009	2008	2009	2008	2009	2008	2009
Total Exceptions/Variances					22	6	123	87				
Total Equipment					318	309	954	927				
Percent Exceptions/Variances					7%	2%	13%	9%				

Source: AOS

Note: Percentage Exceptions/Variances calculated using exceptions and variances divided by total equipment.

**Exhibit 11: District 7, Cleveland Region B
Exception and Variance Summary by Facility**



Facility	Equipment Count BEAMS		Equipment Count AOS		Exceptions		Percent Exceptions		Variances		Percent Variances	
	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
26	99	82	104	84	8	3	8%	4%	47	10	15%	4%
61	25	27	25	27	5	1	20%	4%	39	6	52%	7%
113	23	23	23	25	2	3	9%	12%	17	11	25%	15%
198	15	18	17	19	1	1	6%	5%	27	5	53%	7%
208	76	70	79	82	3	6	4%	7%	45	30	19%	12%
257	20	21	22	21	5	0	23%	0%	14	3	21%	5%
413	49	47	56	50	15	3	27%	6%	42	12	25%	8%
426	49	49	50	50	0	3	0%	6%	20	8	13%	7%
Totals	356	337	376	358	39	20			251	85		
					2008	2009			2008	2009		
Total Exceptions/Variances					39	20			251	85		
Total Equipment					376	358			1,128	1,074		
Percent Exceptions/Variances					10%	6%			22%	8%		

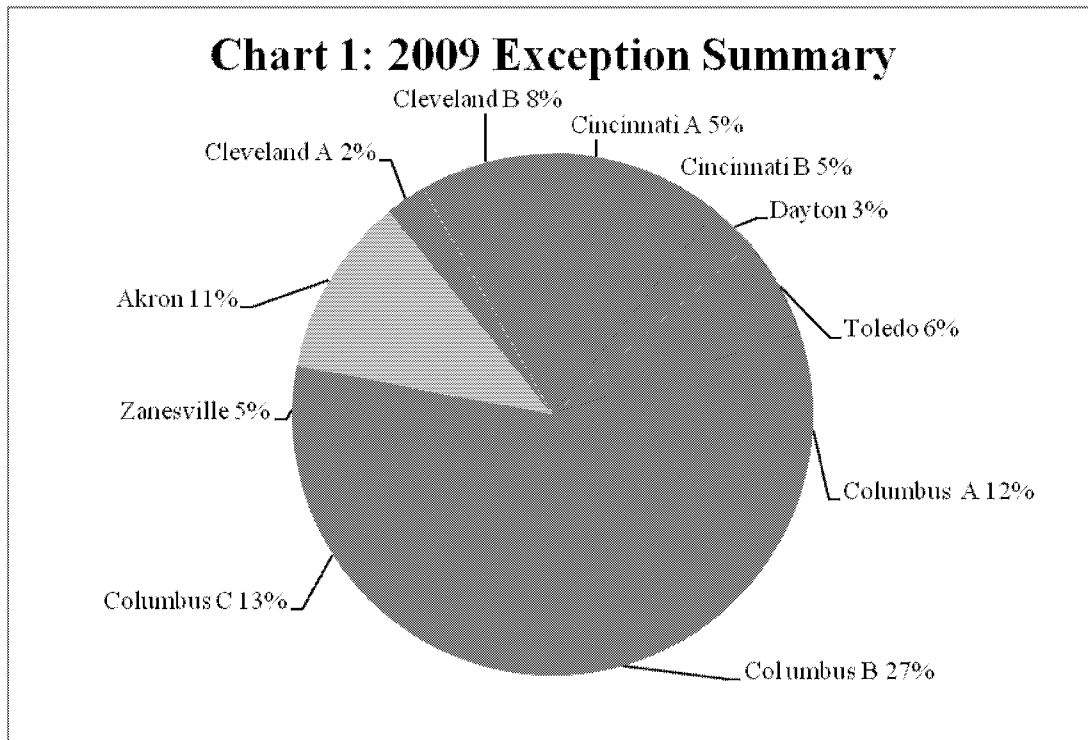
Source: AOS

Note: Percentage Exceptions/Variances calculated using exceptions and variances divided by total equipment.

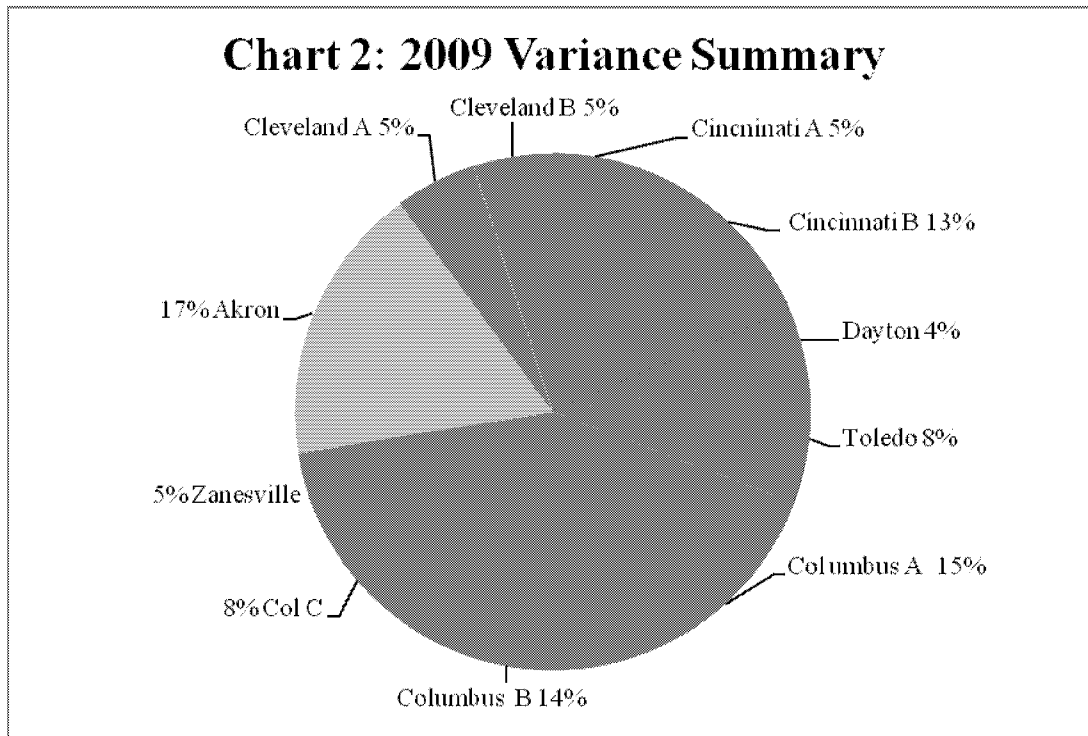
Exhibits 10 and 11 show that District 7 overall has exception scores that are 2 percentage points below the average number of exceptions reported statewide. The Cleveland Region A exception rate is significantly below the target rate of 5 percent while Cleveland Region B region is slightly above the target. On average, both regions' rate of variances is below the State average of 15

percent. All six facilities in Cleveland Region A and six of the eight in Cleveland Region B would be considered appropriate candidates for cyclical equipment inventory counts in 2010 (facilities 191, 250, 353, 364, 398, and 403 in Cleveland Region A; 26, 61, 198, 413, and 426 in Cleveland Region B).

The following charts illustrate the percentage of exceptions and variances by district and show what percentage of the total exceptions and variances are attributable to each particular district. **Chart 1** summarizes exceptions and **Chart 2** summarizes variances.



Source: AOS



Source: AOS

Summary of Storage Inventory Analysis

BEP consolidated its number of storage sites from four regional storage areas to one centralized storage area in 2009. The facility operator who maintains the centralized storage site also repairs, transports, and maintains equipment for the BEP Program. BEP used a request for proposal process to evaluate and select a company to provide a single-source storage, distribution, and repair solution for the vending equipment used in the BEP operation.

Table 1 shows the equipment storage exceptions and variances for 2008 and 2009.

Table 1: Centralized Storage Exception and Variance Summary Comparison

Facility	Equipment Count AOS		Exceptions		Percent Exceptions		Variances		Percent Variances	
	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
687		179		106		59%		356		66%
991, 992, 993	788		655		83%		1,997		84%	
994	460		416		90%		1,263		92%	
996	124		59		48%		183		49%	
Totals	1,372	179	1130	106	82%	59%	3,443	356	84%	66%
			2008	2009			2008	2009		
Total Exceptions/Variances			1,130	106			3,443	356		
Total Equipment			1,372	179			4,116	537		
Percent Exceptions/Variances			82%	59%			84%	66%		

Source: AOS

Note: Percentage Exceptions/Variances calculated using exceptions and variances divided by total equipment.

A significant reduction in the total exceptions and variances on a unit basis as well as a percentage on the reported totals occurred between 2008 and 2009. This was aided, in part, by a substantial reduction in the storage inventory and a concentrated effort to salvage or dispose of excess BEP equipment in late 2008 and early 2009. The difference in the total number of active pieces of stored equipment from 2008 to 2009 was 1,193 pieces; an 87 percent decrease. In conjunction with this decrease in stored equipment, the exceptions decreased by approximately 91 percent.

Although the amount of equipment had been dramatically reduced by the 2009 inventory verification, a significant number of assets were untagged or tagged incorrectly. Using the detailed inventory provided to BEP management, the Program can reconcile its BEAMS inventory to the centralized storage area before the next round of verification audits. This would

help BEP ensure it has the most accurate information recorded for all the equipment in its storage facility, including equipment scheduled for repair or salvage/disposal.

2009 Recommendations

1. **BEP staff responsible for recording assets in BEAMS should attend OAKS asset management training offered by the Ohio Department of Administrative Services (DAS).**

The OAKS inventory management system is the statewide accounting system, DAS uses OAKS to track state asset inventory. The BEAMS inventory management system is used by RSC to maintain and track the inventory for BEP. BEP is authorized under the DAS guidelines to use BEAMS as its asset management system, which then interfaces with OAKS.

However, BEP staff are not trained in the OAKS system and its reporting capabilities. Key data, such as inventory information concerning salvage values, are maintained in OAKS. Therefore, it is critical that BEP staff improve their understanding of the OAKS so they can access information for decision-making and inventory valuation.

Currently DAS offers several asset management classes specific to the OAKS systems like courses coded AM 201 through AM301 and that can be registered by contacting DAS. DAS-sponsored training is free to State of Ohio departments and agencies. Costs associated with the training would include travel expenses of the participant and the actual time needed to attend the trainings.

2008 Recommendation Status

2008-1. BEP should follow the policies and procedures established by the Ohio Department of Administrative Services (DAS) in the State of Ohio Asset Management Policies and Procedures as authorized by ORC § 125.16 and DAS Directive No. 06-27. In particular, the *Physical Inventories* section provides guidance on general physical inventory procedures, including reconciling changes and exceptions; segregation of duties; and asset retirement.

In 2008, AOS determined that the average active inventory exception rate at all vending facilities state-wide was 14 percent. BEP implemented this recommendation. In 2009, the same facility active inventory exemption rate statewide decreased to 6 percent. These exceptions represent asset tagging issues where the machine and the report from the inventory control computer system could not be reconciled.

The average active variance rate for vending facilities statewide in 2008 was 21 percent. In 2009, the average decreased to 15 percent. These improvements were the result of the higher priority placed on accurately maintain the inventory accounting for all facilities by management and staff. In addition, BEP policies and procedures were updated to reflect DAS procedures and directives.

2008-2. *BEP should establish an inventory schedule that includes both wall-to-wall and cyclical physical inventory counts using a minimum accuracy measure of 95 percent as a performance goal. In addition, BEP should consider the use of a barcode system to track and maintain its asset inventory.*

In 2008 and 2009, BEP chose to contract with AOS perform a 100 percent verification of its inventory documented in the BEAMS system. The results of the 2009 audit compared to the 2008 audit and the accuracy threshold⁷ in this recommendation indicate BEP could consider changing to another inventory model in 2010. However, risk factors should be considered prior to choosing cyclical counts. These include staff experience, the existing control environment, decentralized management, and the characteristics of the inventory.

According to the Assistant Program Director, BEP management closely reviewed barcode options and the potential to use barcode readers. At the time of the 2009 inventory, the barcode readers were not being used at the facilities or by the specialists. Counts were completed manually and compared to updated BEAMS reports provided by BEP Management. BEP Management continues to explore the viability of a barcode

⁷ Ibid.

system, which could further enhance their inventory controls. However, the current barcode technology may present a barrier to visually impaired operators.

2008-3. RSC and BEP should review current position responsibilities to ensure appropriate segregation of duties for asset management. RSC and BEP should also use the position responsibilities and evaluation processes to improve its inventory management processes and complete the inventory process in three months, in accordance with the BE Operations Manual. Thorough planning and monitoring the inventory results are key mechanisms that offer an opportunity to gauge the inventory accuracy improvement and adapt these processes to meet to needs of the business operators. However, using the inventory counts and accuracy ratings would also help RSC and BEP better hold specialists accountable for the inventory under their stewardship.

Since the release of the 2008 audit, BEP has conducted an initial review of the position descriptions and is updating these descriptions to reflect a segregation of duties where appropriate. In addition, BEP is actively soliciting business operator input in conducting the physical equipment counts. Finally, BEP is working to further refine the accuracy of the inventory of BEP assets and improve its procedures.

2008-4. RSC/BEP should revise the BEAMS asset disposition codes to mirror the codes listed in the Business Enterprise Operations Manual. The list of 26 possible disposition codes noted in the manual is consistent with the information used for asset disposition in the Statewide Facility Asset Management System (FAMS). Using more specific disposition codes would give RSC more discretion in describing the reason for the disposition of State owned assets and better ensure that the final disposition of assets is accurately recorded.

Asset disposition guidelines are under review within BEP and RSC and have been tentatively revised to meet the intent of the recommendation. The disposition codes, as well as the method whereby the inventory is accounted for once it is disposed, have been the focus of the efforts. Some equipment is salvaged or sold by bid, which is accounted for in the inventory system; however, the equipment that is traded in and used as a down payment for new equipment is not currently tracked in BEAMS.

Client Response

The letter that follows is the Business Enterprise Program's (BEP) official response to the performance audit. Throughout the audit process, staff met with BEP officials to ensure substantial agreement on the factual information presented in the report.



State of Ohio

Rehabilitation Services Commission

Michael J Rench, administrator

Bureau of Services for
the Visually Impaired
400 East Campus View Boulevard
Columbus, Ohio 43235-4604
Telephone: (614) 438-1214

The Honorable Mary Taylor, CPA
Auditor of State
Lausche Building
615 Superior Ave. NW/ Twelfth Floor
Cleveland, Ohio 44113-1801

August 31, 2009

The Honorable Ms. Taylor:

The Ohio Rehabilitation Services Commission (ORSC) appreciates the Auditor of State engagement to audit the ORSC, Business Enterprise Program (BEP) physical asset inventory of equipment owned by ORSC for the purpose of operating the BEP.

The request by ORSC for the audit provides the BEP with an independent physical count of all BEP equipment and compares the count with the existing inventory. In an effort to increase the efficiency and accountability of the BEP, the audit and recommendations derived from the audit will assist the program in meeting these initiatives.

The BEP agrees with the recommendation within the audit and will work to implement a cyclical physical inventory count of all equipment in Federal Fiscal Year 2010. Furthermore, BEP management staff will attend an OAKS asset management training session to better understand the OAKS asset management system and how it might compliment the BEP equipment tracking system. It is anticipated that once BEP management has the training and is able to make any procedure/policy changes to our systems, other BEP staff responsible for recording assets in BEAMS would be required to attend the training on OAKS asset system.

In addition each of the prior year (2008) recommendations remain priority processes. Several initiatives have already begun which will further help the BEP maximize our efforts to increase accountability with regards to our equipment inventory. BEP has included the recommendations as well as steps underway for the final report.

Again, ORSC appreciates your earnest public service and assistance to improve the management of the BEP equipment assets.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael J. Rench". The signature is fluid and cursive, with a large initial "M" and "R".

Michael J Rench
Administrator

Ohio Rehabilitation Services Commission

serving Ohioans with disabilities

2009 Recommendations

1. **BEP staff responsible for recording assets in BEAMS should attend OAKS asset management training offered by the Ohio Department of Administrative Services (DAS).**

The OAKS inventory management system is the statewide accounting system, DAS uses OAKS to track state asset inventory. The BEAMS inventory management system is used by RSC to maintain and track the inventory for BEP. BEP is authorized under the DAS guidelines to use BEAMS as its asset management system, which then interfaces with OAKS.

However, BEP staff are not trained in the OAKS system and its reporting capabilities. Key data, such as inventory information concerning salvage values, are maintained in OAKS. Therefore, it is critical that BEP staff improve their understanding of the OAKS so they can access information for decision-making and inventory valuation.

Currently DAS offers several asset management classes specific to the OAKS systems like courses coded AM 201 through AM301 and that can be registered by contacting DAS. DAS-sponsored training is free to State of Ohio departments and agencies. Costs associated with the training would include travel expenses of the participant and the actual time needed to attend the trainings.

2009 Recommendation Response from ORSC

- a) BEP is interested in pursuing this opportunity. To date we don't know the full capabilities of the OAKS inventory management system. Our current inventory system as mentioned above is part of an application called Business Enterprise Asset Management Systems (BEAMS). Benefits to using this system include the ability for staff to indicate what the name of a building, the floor of the building, along with equipment identification is for easier location and identification. If OAKS can or could provide the same information then switching to OAKS would be a very viable option.
- b) BEP will schedule and send at least two (2) key staff member to OAKS inventory management training.

2008 Recommendation Status

2008-1. BEP should follow the policies and procedures established by the Ohio Department of Administrative Services (DAS) in the State of Ohio Asset Management Policies and Procedures as authorized by ORC § 125.16 and DAS Directive No. 06-27. In particular, the *Physical Inventories* section provides guidance on general physical inventory procedures, including reconciling changes and exceptions; segregation of duties; and asset retirement.

2008 Recommendation Response from ORSC

- a. BEP has reviewed both referenced documents, as well as the State of Ohio Asset Management Policies and Procedures issued December 16, 2006 and updated March 6, 2008, and FY2008 Compliance instructions for certifying State Property Inventory Activity with DAS dated September 5, 2008. With this information and the information provided in the AOS BEP Equipment Audit report BEP is further developing its' physical inventory procedures, segregation of duties, and asset retirement process. As policies are updated review and training is provided to all BEP staff.

AOS Status Update

In 2008, AOS determined that the average active inventory exception rate at all vending facilities state-wide was 14 percent. BEP implemented this recommendation. In 2009, the same facility active inventory exemption rate statewide decreased to 6 percent. These exceptions represent asset tagging issues where the machine and the report from the inventory control computer system could not be reconciled.

The average active variance rate for vending facilities statewide in 2008 was 21 percent. In 2009, the average decreased to 15 percent. These improvements were the result of the higher priority placed on accurately maintaining the inventory accounting for all facilities by management and staff. In addition, BEP policies and procedures were updated to reflect DAS procedures and directives.

Additional response from ORSC to 2008 AOS Status Update

- a) The BEP Operations manual has been updated to reflect the latest information from DAS.
- b) BE has provided training to all program staff on updated information and DAS/GSD has presented on proper methods of Salvage and Disposition of BEP assets.
- c) BEP continues to strive for the minimum 95% accuracy in asset management tracking

2008-2. BEP should establish an inventory schedule that includes both wall-to-wall and cyclical physical inventory counts using a minimum accuracy measure of 95 percent as a performance goal. In addition, BEP should consider the use of a barcode system to track and maintain its asset inventory.

2008 Recommendation Response from ORSC

- a. BEP concurs and will develop in collaboration with AOS a schedule that will include both “wall-to-wall” and cyclical physical inventory counts based on the achievement of the 95% accuracy performance goal.
- b. BEP will continue to contract with AOS in order to further refine the accuracy of BEP assets and procedures for asset management.
- c. BEP is currently seeking information regarding bar code systems. In particular, the bar code system will need to be accessible for people with visual impairments. The Office of Information Technology (OIT) has developed a State of Ohio Standard titled Bar Code Standards for Automated Systems used by State of Ohio Governmental Agencies to Inventory Tangible Personal Property (ITS-SYS-01) dated December 15, 2006. Upon successful research a system can meet both needs it is expected to be implemented prior to the end of the first quarter of SFY2009.
- d. Although the DAS tracking threshold is \$1,000, BEP currently tracks equipment with a purchase value of \$500 or more unless it is considered a high theft item. Based on AOS input as well as implementation of a bar code system BEP will begin tracking assets under \$500 in value if purchased in quantities as quick replacement items (e.g. vending machine coin mechanisms, vending machine paper money acceptors, microwaves etc.).
- e. BEP will work with DAS and AOS in determining if equipment assets should be tracked if the equipment has depreciated to a zero dollar value using the DAS straight-line depreciation method.

AOS Status Update

In 2008 and 2009, BEP chose to contract with AOS perform a 100 percent verification of its inventory documented in the BEAMS system. The results of the 2009 audit compared to the 2008 audit and the accuracy threshold in this recommendation indicate BEP could consider changing to another inventory model in 2010. However, risk factors should be considered prior to choosing cyclical counts. These include staff experience, the existing control environment, decentralized management, and the characteristics of the inventory.

According to the Assistant Program Director, BEP management closely reviewed barcode options and the potential to use barcode readers. At the time of the 2009 inventory, the barcode readers were not being used at the facilities or by the specialists. Counts were completed manually and compared to updated BEAMS reports provided by BEP Management. BEP Management continues to explore the viability of a barcode system, which could further enhance their inventory controls. However, the current barcode technology may present a barrier to visually impaired operators.

Additional response from ORSC to 2008 AOS Status Update

- a. The SFY 2010 agreement between ORSC and AOS, ORSC will:
 - 1) Ascertain with AOS the areas of the state where wall-to-wall inventories will be completed for SFY2010.
 - 2) Ascertain with AOS the areas of the state where cyclical inventories will be completed for SFY2010.
- b. ORSC will develop with AOS training opportunities and presentations for BEP staff to reinforce the process and the importance of accurate asset reporting.

2008-3. RSC and BEP should review current position responsibilities to ensure appropriate segregation of duties for asset management. RSC and BEP should also use the position responsibilities and evaluation processes to improve its inventory management processes and complete the inventory process in three months, in accordance with the BE Operations Manual. Thorough planning and monitoring the inventory results are key mechanisms that offer an opportunity to gauge the inventory accuracy improvement and adapt these processes to meet to needs of the business operators. However, using the inventory counts and accuracy ratings would also help RSC and BEP better hold specialists accountable for the inventory under their stewardship.

2008 Recommendation Response from ORSC

- a. BEP concurs, and has been reviewing position responsibilities regarding segregation of duties. BEP will further define this with AOS input.
- b. BEP administration will adapt the 95% accuracy performance goal for all BEP staff as a plan of performance evaluation and measurable accountability.
- c. BEP staff are currently required to complete the inventory process from April 1 through June 30 in OAC.
- d. BEP administration will continue to provide BEP staff training on BEP asset management and asset management procedures.
- e. BEP will implement a method of physical asset counts among other staff by using BEP staff independent of businesses assigned as their responsibility.
- f. BEP will actively solicit business operator involvement in providing physical equipment counts.

AOS Status Update

Since the release of the 2008 audit, BEP has conducted an initial review of the position descriptions and is updating these descriptions to reflect a segregation of duties where appropriate. In addition, BEP is actively soliciting business operator input in conducting the physical equipment counts. Finally, BEP is working to further refine the accuracy of the inventory of BEP assets and improve its procedures.

Additional response from ORSC to 2008 AOS Status Update

- a. ORSC has drafted the position description changes and will be reviewing them with staff and ORSC Human Resources.

- b. 95% accuracy performance goal for all BEP staff as a plan of performance evaluation and measurable accountability.
- c. Although no longer in BEP Ohio Administrative Code (BE Rules) the requirement for reporting BEP assets to DAS/GSD surrounds equipment records as of close of business June 30 each year.
- d. As noted above BEP will maintain an active ongoing plan for training regarding asset management and control.
- e. BEP Program Manager and Assistant Managers are required to perform random facility equipment inventories.
- f. BEP has is working with BEP Operators and stressing the importance of accurate asset tracking.

2008-4. RSC/BEP should revise the BEAMS asset disposition codes to mirror the codes listed in the Business Enterprise Operations Manual. The list of 26 possible disposition codes noted in the manual is consistent with the information used for asset disposition in the Statewide Facility Asset Management System (FAMS). Using more specific disposition codes would give RSC more discretion in describing the reason for the disposition of State owned assets and better ensure that the final disposition of assets is accurately recorded.

- a. BEP will work with OIT/ORSCIT and service providers to include all disposition codes recommended by DAS (currently 26) in order to more accurately record the disposition of BEP assets.
- b. BEP is currently working with DAS/GSD to publish and award an ITB regarding a single provider of a single suitable storage facility. This method will provide greater control of equipment assets (currently multiple storage sites) and develop a uniform manner in which BEP equipment is evaluated for reuse, trade-in, sold as salvage, or scrapped.
- c. BEP will ask IT for an improved method to search the BEAMS database for equipment by partial serial number using wildcard characters.

AOS Status Update

Asset disposition guidelines are under review within BEP and RSC and have been tentatively revised to meet the intent of the recommendation. The disposition codes, as well as the method whereby the inventory is accounted for once it is disposed, have been the focus of the efforts. Some equipment is salvaged or sold by bid, which is accounted for in the inventory system; however, the

equipment that is traded in and used as a down payment for new equipment is not currently tracked in BEAMS..

Additional response from ORSC to 2008 AOS Status Update

- a. To date the 26 disposition codes have not been added to the BEAMS software application.
- b. In 2008 BEP had six (6) storage locations around the state for BEP equipment. Working with DAS, BEP has secured one (1) centralized storage facility for BEP equipment in 2009.
- c. To date the improved search method has not been made available in BEAMS.



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