

# Agreed-Upon Procedures Related to the Central Stores Physical Inventory

**NOVEMBER 2023** | OCA-24-05

**Andy Hanau**, City Auditor

**Matthew Helm**, Assistant City Auditor

**Danielle Knighten**, Deputy City Auditor

**Macias Gini & O'Connell LLP**

CITY OF SAN DIEGO



OFFICE of the CITY AUDITOR

**CITY OF SAN DIEGO, CALIFORNIA**

Independent Accountant's Report  
on Applying Agreed-Upon Procedures  
Related to the Central Store Inventory

For the Year Ended June 30, 2023

**CITY OF SAN DIEGO, CALIFORNIA**  
Independent Accountant's Report  
on Applying Agreed-Upon Procedures  
Related to the Central Store Inventory  
For the Year Ended June 30, 2023

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## Independent Accountant’s Report

To the Office of the City Auditor  
City of San Diego, California

We have performed the procedures enumerated below related to the Office of the City Auditor (City Auditor) of the City of San Diego, California (the City), compliance with the requirements of Article 2, Division 5, Section 22.0501 of the San Diego Municipal Code regarding the City’s Central Store inventory records for the year ended June 30, 2023. The Purchasing and Contracting Department (the Department) management is responsible for the City’s Central Store inventory records.

The City Auditor has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of compliance with the San Diego Municipal Code referred to above for the fiscal year ended June 30, 2023. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated results are as follows:

- 1) Obtain an electronic version of the Central Store inventory stock record as of June 26, 2023, maintained by the Department and select a sample, at Chollas Store storeroom, based on a 99% confidence level and 8% confidence interval.

**Result:** For procedure 1 above, a 99% confidence level and 8% confidence interval was used to determine sample size resulting in a sample size of 223. We obtained an electronic version of the inventory stock records maintained by the Department for the Chollas Store, which contained a total of 1,648 stock items. As directed by the City Auditor at the entrance conference held on June 15, 2023, paper-form stock items were excluded from the sampling population, resulting in a total of 1,568 stock items. The Central Store had 80 paper-form stock items.

- 2) Conduct a physical inventory count at the Department’s Chollas Store location for the judgmentally selected 223 sample stock items from the 1,568 stock items and compare the results of the physical inventory count to the Department’s inventory stock records. The physical count includes judgmentally opening 10 inventory boxes for the sample items selected, which addresses at the procedure 3 in the next, and recounting the contents within and comparing the recounted items to the quantity of items stated on the inventory box.

**Result:** Refer to Attachment 1 (which reports the results for both Procedures 2 and 3) for a summary of the results of the physical inventory count and Attachment 2 for a detail listing of the inventory stock item discrepancies.

- We judgmentally selected 223 stock items from the 1,568 stock items listed on the June 26, 2023 inventory stock record. The 223 stock items were counted at the Chollas Store location with a recorded inventory value of \$306,712.88. Of the 223 stock items counted, MGO noted discrepancies for 77 stock items. 48 of the stock items resulted in an overstatement of 7,645 inventory units, or \$3,837.26, which were included per the inventory record system but not on hand. 12 of the stock items resulted in an understatement of 463 inventory units, or \$6,129.17, which were on hand, but not included in the inventory record system. The net impact of items counted at the Chollas Store location is an understatement in the inventory record system of \$2,246.43. For the result of 10 inventory boxes, refer to procedure 3 to next.

- 3) Judgmentally select 10 items on hand at the Chollas Store location and compare and agree the items to the inventory system stock records and determine if they are accurately recorded in the inventory system.

**Result:** Refer to Attachment 1 (which reports the results for both Procedures 2 and 3) for a summary of the results of the physical inventory count and Attachment 2 for a detail listing of inventory stock item discrepancies.

- Judgmentally selected and counted 10 stock items on hand at the Central Store and compared the result with a recorded inventory quantity of 2,030 and value of \$31,134.23. Of the 10 stock items counted, MGO noted a discrepancy for two (2) stock items. These two stock items with identified discrepancies resulted in an overstatement of three (3) inventory units, or \$45.41, which was included in the inventory record system but not on hand.

- 4) Inquire with the Store Manager regarding the Department's Central Store procedures and activities to determine obsolete inventory (inventory with no sales to the City departments during the prior fiscal year) is annually reviewed. Confirm if the Department's justification for retaining obsolete items is maintained on file, or if obsolete inventory is being properly liquidated.

**Result:** Per inquiry with the Department's Central Store Operations Supervisor, the Chollas Store location did not have materials that were identified as obsolete during the June 26, 2023, on-site inventory count.

- 5) Obtain a listing of the Chollas Store location inventory write offs occurring during the fiscal year ended June 30, 2023. Judgmentally select 5 items from the positive adjustment schedule and 5 items from the negative adjustment schedule written off during the fiscal year ended June 30, 2023, to obtain a written explanation for the reason for the adjustment along with support for approval of adjustment.

**Result:** We selected 10 adjustments (5 positive adjustments and 5 negative adjustments). For each item selected The Central Store Operations Supervisor provided a written explanation describing the adjustment and the approval.

- 6) Provide the result of the inventory counts of the Chollas Store location, the result of the obsolete inventory review, and a draft written report to discuss the results.

**Result:** An exit conference was held with the Department staff and City Auditor staff on August 25, 2023, to discuss the results of Procedures 1 through 5.

- 7) Hold an exit conference with Department staff and City Auditor staff to review and finalize the draft report.

**Result:** An exit conference was held with Department staff and City Auditor staff on August 25, 2023, to review the results of our procedures and the draft report.

We were engaged by the City Auditor to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Central Store inventory records maintained by the Department. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the City Council and Audit Committee of the City of San Diego, the City Auditor and the Purchasing and Contracting Department of the City and is not intended to be and should not be used by anyone other than these specified parties.



San Diego, California  
October 11, 2023

## Attachment 1

### Fiscal Year 2023 Summary of Results

Location	Total Number of Stock Items in Inventory Records <sup>1</sup>	Total Inventory Value <sup>2</sup>	Total Number of Sampled Stock Items <sup>3</sup>	Total Value of Sampled Stock Items	Number of Inventory Units Over / (Under) in the Inventory Records	Total Value of Inventory Units Over / (Under) in the Inventory Records	Percentage Difference Between the Value of Sampled Items Counted and Total Value of Sampled Inventory as Recorded in the Inventory Records	Estimated Difference in the Total Inventory Value per the Department's Stock Records Based on the Sampling Error
Chollas	1,568	\$ 1,506,087.55	233	\$ 337,847.11	7,648 (463)	\$ 3,882.67 (6,129.17)	1.15% -1.81%	\$ 17,308.54 (27,323.21)
<b>Total</b>	<b>1,568</b>	<b>\$ 1,506,087.55</b>	<b>233</b>	<b>\$ 337,847.11</b>	<b>7,185</b>	<b>\$ (2,246.50)</b>	<b>-0.66%</b>	<b>\$ (10,014.67)</b>

### Summary of Results - Last Three Years

Fiscal Year	Total Number of Stock Items in Inventory Records	Total Inventory Value	Total Number of Sampled Stock Items	Total Value of Sampled Stock Items	Number of Inventory Units Over / (Under) in the Inventory Records	Total Value of Inventory Units Over / (Under) in the Inventory Records	Percentage Difference Between the Value of Sampled Items Counted and Total Value of Sampled Inventory as Recorded in the Inventory Records	Estimated Difference in the Total Inventory Value per the Department's Stock Records Based on the Sampling Error
2023	1,568	\$ 1,506,087.55	233	\$ 337,847.11	7,648	\$ 3,882.67	1.15%	\$ 17,308.54
					(463)	(6,129.17)	-1.81%	(27,323.21)
					7,185	\$ (2,246.50)	-0.66%	\$ (10,014.67)
2022	1,540	\$ 1,725,187.07	231	\$ 244,154.07	120	\$ 881.46	0.36%	\$ 6,228.38
					(95)	(855.83)	-0.35%	(6,047.28)
					25	\$ 25.63	0.01%	\$ 181.10
2021	1,171	1,688,054.84	220	216,835.03	206	3,730.81	1.72%	29,044.26
					(596)	(2,583.85)	-1.19%	(20,115.24)
					(390)	\$ 1,146.96	0.53%	\$ 8,929.02

<sup>1</sup>The "Total Number of Stock Items" is as of June 26, 2023, based upon the Purchasing and Contracting Department's inventory stock records including the various forms maintained in inventory, which were excluded from our sampling population.

<sup>2</sup>The "Total Inventory Value" is as of June 26, 2023, based upon the Purchasing and Contracting Department's inventory stock records.

<sup>3</sup>The "Total Number of Sampled Stock Items" refers to the number of separate stock items physically counted pursuant to Procedures #2 and #3.

## Attachment 2 Chollas Store

**PROCEDURE 2 (INDIVIDUAL STOCK ITEM EXCEPTIONS):**

	Material Number (Stock Item)	Material Description	Inventory Value	Unit Value	Number of Units Recorded in SAP	Inventory Unit of Measure	Number of Units Per Physical Observation Count	Number of Units Overstated/ (Understated) in SAP	Inventory Value Overstated/ (Understated) in SAP
1	22037097	BOX FOLDING 16 X 16 X 16 RSC 200C KRAFT	\$8.52	\$1.42	EA	6	4	2	2.84
2	22043687	BALL SOCCER #4 VOIT VCS66	\$360.96	\$14.44	EA	25	26	-1	(14.44)
3	22041017	SAFETY BANDAGE GAUZE PAD 3X3 4/BX	\$6.20	\$0.78	EA	8	7	1	0.78
4	22014786	TISSUE LENS CLEANING PRE-MOISTENED	\$39.06	\$7.81	EA	5	0	5	39.06
5	22030168	HAMMER RIPPING 16 OZ STANLEY 51716	\$265.35	\$8.85	EA	30	29	1	8.85
6	22012990	CRAYON YELLOW LUMBER 12/BX DIXON 496	\$24.40	\$0.76	EA	32	37	-5	(3.81)
7	22030525	TAPE,DIAMETER,6',LUFKIN#W606PD 0R =	\$610.05	\$25.42	EA	24	23	1	25.42
8	22040484	SODA BAKING 1LB BOXES 160142	\$118.45	\$1.12	EA	106	103	3	3.35
9	22078161	SAFETY FIRST AID KIT PACK UP A (OFFICE)	\$2,356.22	\$17.07	EA	138	137	1	17.07
10	22034891	PAINT BRUSH 1-1/2" THROW-AWAY	\$57.70	\$0.92	EA	63	75	-12	(10.99)
11	22034910	BUCKET ( LID ) 5 GAL PAINTERS BUCKET	\$139.64	\$5.17	EA	27	28	-1	(5.17)
12	22102140	SERVICE AWARD - VETERAN - LAPEL PIN	\$4,818.00	\$16.06	EA	300	294	6	96.36
13	22043854	FLAG AMERICAN U.S. 4X6 POLYESTER	\$9,938.29	\$69.50	EA	143	140	3	208.50
14	22077640	RAKE MAG LUTE 36 #80.40.12220	\$14,237.80	\$124.89	EA	114	118	-4	(499.57)
15	22004352	Fitting - Air Hose 1/4" Female Plug Amfl	\$34.48	\$0.91	EA	38	35	3	2.72
16	22040409	BAG TRASH 45 GAL 40"x48" WAXIE 702500	\$2,891.39	\$39.07	CS	74	65	9	351.66
17	22014882	LIGHTSTICK 12 HOUR CYALUME #9-27020,	\$1,132.91	\$1.86	EA	610	632	-22	(40.86)
18	22102637	SHIRT LONG SLEEVE CLASS 3 LRG COSD LOGO	\$863.73	\$21.59	EA	40	39	1	21.59
19	22030216	HOE SCUFFLE 6-1/2 BLADE TRUTEMP 1844300	\$247.25	\$41.21	EA	6	7	-1	(41.21)
20	22040215	PUSH BROOM 24" W/O HANDLE 2050140	\$14.34	\$14.34	EA	1	2	-1	(14.34)
21	22035235	MASKING TAPE BLUE - 2 INCH	\$912.68	\$7.19	EA	127	128	-1	(7.19)
22	22030383	SCREWDRIVER FLAT TIP 4" STANLEY 66-174	\$255.77	\$7.53	EA	34	36	-2	(15.05)
23	22040415	MOP COTTON 32 OZ 650051	\$5.59	\$5.59	EA	1	0	1	5.59
24	22040538	TOWEL ACCUWIPE WAXIE 440900	\$233.74	\$7.05	EA	33	30	3	21.15
25	22037787	SERVICE AWARD, BUTTON 05 YEAR	\$4,592.29	\$15.01	EA	306	302	4	60.03
26	22043727	BALL UTILITY 8.5 BSN VPG85HXX	335.06	7.98	EA	42	43	-1	(7.98)
27	22102638	SHIRT LONG SLEEVE CLASS 3 XL COSD LOGO	\$863.73	\$21.60	EA	40	38	2	43.19
28	22030107	FILE MILL BASTARD 14" NORSEMAN 08832N	\$234.49	\$11.72	EA	20	19	1	11.72
29	22037824	SERVICE AWARD, PIN 45 YEAR	\$305.25	\$61.05	EA	5	4	1	61.05



**Attachment 2  
Chollas Store**

	Material Number (Stock Item)	Material Description	Inventory Value	Unit Value	Number of Units Recorded in SAP	Inventory Unit of Measure	Number of Units Per Physical Observation Count	Number of Units Overstated/ (Understated) in SAP	Inventory Value Overstated/ (Understated) in SAP
30	22077811	SOAP CLEAN TOUCH CITRUS WAXIE 386311	\$14.57	\$14.57	EA	1	21	-20	(291.40)
31	22030597	WRENCH PIPE 14" ALUMINUM RIGID 31095	\$1,730.13	\$59.66	EA	29	25	4	238.64
32	22030056	CUTTER TUBING 1/8 - 1" RIGID#32910	\$582.65	\$30.67	EA	19	17	2	61.33
33	22037807	SERVICE AWARD, BELT BUCKLE 20 YEAR	\$817.81	\$35.56	EA	23	22	1	35.56
34	22040470	WIPE WATERLESS HANDWIPE WYPALL 380307	\$4,880.41	\$11.35	EA	430	434	-4	(45.40)
35	22035090	PAINT SPRAY KRYLON ALUMINUM	\$2,374.75	\$12.70	EA	187	186	1	12.70
36	22040322	DETERGENT LAUNDRY TIDE POD	\$6,032.83	\$39.95	EA	151	145	6	239.72
37	22102631	SHIRT SHORT SLEEVE CLASS 3 XL COSD LOGO	\$747.79	\$18.69	EA	40	39	1	18.69
38	22014853	BILGE PUMP HAND HELD 36" W 6' HOSE	\$11,033.54	\$56.01	EA	197	198	-1	(56.01)
39	22035234	MASKING TAPE BLUE - 1.5 INCH	\$1,141.81	\$6.56	EA	174	171	3	19.69
40	22040433	RAGS JANITORIAL 25LBS BOX WAXIE 770020	\$490.64	\$30.67	EA	16	12	4	122.66
41	22030879	EXTINGUISHER 5LB ABC W/HOSE & BRACKET	\$606.35	\$50.53	EA	12	11	1	50.53
42	22013130	PADLOCK MSTR #2KD EA KEY DIFF 6 PER BOX	\$1,188.05	\$14.49	EA	82	94	-12	(173.86)
43	22018930	ADAPTER PVC SCH40 1" MIP X SLIP	\$0.86	\$0.43	EA	2	0	2	0.86
44	22030124	FILE MILL SMOOTH 12" NICHOLSON 08799N	\$446.12	\$20.28	EA	22	21	1	20.28
45	22012976	CORD SASH #10 5/16" X 100'HANK	\$1,769.88	\$21.32	EA	83	84	-1	(21.32)
46	22041037	SAFETY DRESSING MULTI-TRAUMA 10" X 30"	\$193.17	\$5.37	EA	36	35	1	5.37
47	22030418	SHOVEL ROUND-SCOOP ALUMINUM (MILL GRAIN)	\$1,374.26	\$50.90	EA	27	44	-17	(865.27)
48	22040387	HANDLE STREET-BROOM SLIP-IN 72" 2050991	\$166.40	\$5.74	EA	29	46	-17	(97.54)
49	22022440	PIPE PVC C-900 16" X 20' DR-18 235	\$10,262.12	\$102.62	FT	100	120	-20	(2,052.42)
50	22077530	BAG TRASH LINER BIG BELLY WAXIE #709334	\$1,516.93	\$45.97	CS	33	27	6	275.81
51	22015029	SEALANT RTV SILICONE CLR 100Z 12 PER BX	\$1,183.72	\$8.90	EA	133	132	1	8.90
52	22077923	CLOISONNE LAPEL CITY SEAL - MGNT - BLUE	\$5,104.40	\$8.47	EA	603	582	21	177.77
53	22030253	PICK RAILROAD CHISEL POINT 6LB	\$174.38	\$43.60	EA	4	6	-2	(87.19)
54	22030559	WRENCH ADJUSTABLE 4 BLKHAWK AW10042	\$523.88	\$14.55	EA	36	34	2	29.10
55	22040313	CLEANER MEAN GREEN WAXIE 410074	\$450.68	\$13.66	EA	33	43	-10	(136.57)
56	22043684	BALL FOOT RUBBER JUNIOR VOIT #CF6	\$441.23	\$11.32	EA	39	41	-2	(22.63)
57	22030441	SHOVEL SQUARE-POINT UNION 44106	\$203.47	\$20.35	EA	10	13	-3	(61.04)
58	22026577	CONNECTOR SWIVEL 2-1/2FHT X 2 MNPT	\$5,475.85	\$35.56	EA	154	153	1	35.56
59	22040230	BRUSH COUNTER (FOX-TAIL) 2060250	\$189.28	\$4.73	EA	40	34	6	28.39
60	22014466	14"X26" 1600 HOUR UV EMPTY SANDBAG	\$1,795.90	\$0.14	EA	12,670	5,178	7492	1,061.95

**Attachment 2  
Chollas Store**

	Material Number (Stock Item)	Material Description	Inventory Value	Unit Value	Number of Units Recorded in SAP	Inventory Unit of Measure	Number of Units Per Physical Observation Count	Number of Units Overstated/ (Understated) in SAP	Inventory Value Overstated/ (Understated) in SAP
61	22040405	BAG TRASHLINER 16GL 24"X32" .70ML 709469	\$7,418.75	\$38.44	CS	193	190	3	115.32
62	22040505	SQUEEGEE 24"FLOOR STRAIGHT WAXIE#291630	\$160.38	\$20.05	EA	8	9	-1	(20.05)
63	22035658	GSKT METR FL 2"OVAL RD RBR 1/8" 100Pk	\$3,369.14	\$0.65	EA	5,214	5,319	-105	(67.85)
64	22041098	LOTION - HAND, 16 OZ., MAJOR PHARM OR	\$18.23	\$6.08	EA	3	1	2	12.15
65	22040231	BRUSH HD TRUCK WASH WAXIE 2060110	\$18.13	\$18.13	EA	1	0	1	18.13
66	22030332	TAPE MEASURE 1"X25' STANLEY 33-425	\$1,166.56	\$14.23	EA	82	80	2	28.45
67	22015055	SNAP-HOOK OPEN-EYE 3/8" CAD PLATED	\$3.44	\$3.44	EA	1	0	1	3.44
68	22078152	SUNSCREEN FACESTICK SPF50 AMAVARA REEFSF	\$3,207.82	\$11.54	EA	278	317	-39	(450.02)
69	22040338	COVER TOILET-SEAT 1/2FLD WAXIE 851530 CS	\$586.20	\$45.09	EA	13	12	1	45.09
70	22014724	GLOVE PIGSKIN TOP GRAIN MED 12/PK-120/CS	\$6,579.70	\$6.03	PR	1,092	1,248	-156	(939.96)
71	22035089	PAINT SPRAY KRYLON MACHINERY DARK GRAY	\$2,768.19	\$13.57	EA	204	200	4	54.28
72	22030403	SCREWDRIVER SET FLAT 7 PIECE STAN 66157	\$1,906.73	\$47.67	EA	40	41	-1	(47.67)
73	22030263	PLIERS SLIP-JOINT 5" STANLEY#84-106	\$304.01	\$9.21	EA	33	30	3	27.64
74	22030209	HOE HULA UNION #68-730	\$194.13	\$32.36	EA	6	7	-1	(32.36)
75	22043704	BALL TABLE-TENNIS HALEX #1 24 BX/CS,	\$44.45	\$0.81	BX	55	38	17	13.74
76	22043863	GAME UNO	\$371.60	\$7.29	EA	51	49	2	14.57
77	22015978	BUSHING BRASS IPS 125-PSI 2" X 1-1/2"	\$128.01	\$16.00	EA	8	3	5	80.01

<b>Overstatement of Units</b>	<b>7,645</b>	<b>\$</b>	<b>3,837.26</b>
<b>Count item</b>	<b>48</b>		
<b>Understatement of Units</b>	<b>(463)</b>	<b>\$</b>	<b>(6,129.17)</b>
<b>Count item</b>	<b>12</b>		

**PROCEDURE 3 (INDIVIDUAL STOCK ITEM EXCEPTIONS):**

	Material Number (Stock Item)	Material Description	Inventory Value	Unit Value	Number of Units Recorded in SAP	Inventory Unit Measure	Number of Units Per Physical Observation Count	Number of Units Overstated/ (Understated) in SAP	Inventory Value Overstated/ (Understated) in SAP
78	22040390	CLEANER SURFACE BALANCE WAXIE 320024	\$88.29	\$8.83	10	EA	9	1	\$ 8.83
79	22013136	PADLOCK MSTR 1KA 1CO26 W/O KEY 6 PER BOX	\$15,085.29	\$18.29	825	EA	823	2	\$ 36.58

<b>Overstatement of Units</b>	<b>3</b>	<b>\$</b>	<b>45.41</b>
<b>Understatement of Units</b>	<b>-</b>	<b>\$</b>	<b>-</b>

**CITY OF SAN DIEGO, CALIFORNIA  
CENTRAL STORE INVENTORY  
AGREED UPON PROCEDURES**

Management Letter Comments and  
Current Year Recommendation

For the Year Ended June 30, 2023

**CITY OF SAN DIEGO CALIFORNIA**  
**CENTRAL STORE INVENTORY AGREED UPON PROCEDURES**

Management Letter Comments and  
Current Year Recommendation  
For the Year Ended June 30, 2023

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### Transmittal Letter

Management of Purchasing and Contracting Department  
City of San Diego  
1200 Third Ave., Suite 200  
San Diego, CA 92101-4195

We have performed the agreed-upon procedures related to the Office of the City Auditor (City Auditor) of the City of San Diego, California (the City), compliance with the requirements of Article 2, Division 5, Section 22.0501 of the San Diego Municipal Code regarding the City's Central Store inventory records for the year ended June 30, 2023, and issued our report dated October 11, 2023. The Purchasing and Contracting Department (the Department) management is responsible for the City's Central Store inventory records.

As a result of performing the procedures agreed to by the City Auditor, we identified discrepancies in the inventory records, for which we reported in the independent accountant's report dated October 11, 2023, we made an observation regarding those discrepancies identified as item No. 1 in the attached schedule of current year observation. Our observation and related recommendation all of which have been discussed with appropriate members of management, are intended to improve management's oversight of the inventory management process. We will be pleased to discuss this matter in further detail at your convenience.

We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Central Store inventory records maintained by the Department. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This letter does not affect our independent accountant's report dated October 11, 2023. This communication is intended solely for the information and use of management and others within the City of San Diego and is not intended to be and should not be used by anyone other than these specified parties.



San Diego, California  
October 11, 2023

**CITY OF SAN DIEGO CALIFORNIA**  
**CENTRAL STORE INVENTORY AGREED UPON PROCEDURES**  
Current Year Comment and Recommendation  
For the Year Ended June 30, 2023

**Observation No. 1**

During our performance of procedures #2 and #3, described in the independent accountant's report on applying agreed-upon procedures, 79 stock items out of 233 selected stock items had discrepancies with the inventory records. Causes of those discrepancies appears to be due to human error.

MGO recommends that the Department consider procuring handheld devices that are compatible with the SAP inventory record module, or interface records between the SAP inventory record module and the local application used at the Chollas Store location. Handheld devices can be used to scan the barcodes that already exist on each stock item tag and will allow storekeepers to update inventory records in real-time for their inventory cycle counts provides more accurate and timely information regarding inventory record maintenance.