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MEMORANDUM

TO: Legislative Post Audit Committee Members

FROM: Stacy L. Sneed, Acting Director *[Signature]*
Legislative Post Audit Division

SUBJECT: No Requirement to Inventory Computers Costing Less Than \$1,000

DATE: October 8, 2007

We are submitting for your consideration our recommendation to implement a requirement for State agencies to inventory computers costing less than \$1,000. We have discussed this recommendation with the Director of Purchasing and his comments are included, in italics, at the end of this memorandum.

While conducting the post audit of the Office of Miners' Health, Safety and Training (OMHST), we found the agency purchased on a statewide contract 95 desktop computers costing a total of \$61,303 or approximately \$645 each during the last quarter of calendar year 2006. The OMHST maintained an internal inventory of the computers above and the Office of Technology approved the purchases. We believe, however, many State agencies may not maintain such an inventory because the West Virginia Department of Administration, Division of Purchasing's policies which govern inventory requirements for most State agencies does not require equipment costing less than \$1,000 (except for weapons) to be placed on the State's West Virginia Fixed Asset Inventory system. Because of the inherent risk that computer equipment can be easily converted to personal use, we believe computers costing less than \$1,000 should be inventoried to safeguard the equipment from unauthorized use or disposition.

The Director of the Division of Purchasing, under the direction of the Secretary of the Department of Administration, has authority over inventories as promulgated by Chapter 5A, Article 3, Sections 34 and 36 of the West Virginia Code which states,

“§5A-3-34. Authority over inventories and property.

The director shall, under the direction and supervision of the secretary, have full authority over inventories and property. . . .

§5A-3-36. Inventory of removable property; maintenance and repair of office furniture, machinery and equipment.

The director shall have the power and duty to:

- (1) Make and keep current an inventory of all removable property belonging to the state. Such inventory shall be kept on file in the office of the director as a public record. The inventory shall disclose the name and address of the vendor, the date of the purchase, the price paid for the property therein described and the disposition thereof;
- (2) Provide for the maintenance and repair of all office furniture, machinery and equipment belonging to the state, either by employing personnel and facilities under his direction or by contracting with state agencies or private parties.

The “West Virginia Department of Administration, Purchasing Division, Administrative Services Section, Inventory Management and Surplus Property Disposition Policies and Guidelines” provides inventory requirements as follows:

“...3.3 Responsibility:

Agencies are responsible for all property under its jurisdiction, regardless of its state (removable or fixed), origin, or acquisition cost. Agencies are responsible for maintaining equipment from date of purchase to date of retirement, such as keeping equipment secure, entering assets into the WVFIMS Fixed Asset system, conducting physical inventories, submitting annual certification, retiring assets properly, etc all in accordance with policy and procedures as outlined in this handbook....

3.6 Reportable Property:

The Purchasing Division has established a capitalization figure of \$1,000 and a useful life of one (1) year or more as reportable property. This means that any item which has an original acquisition cost of \$1,000 or more and useful life of one (1) year or more is required to be entered into the WVFIMS Fixed Asset system. Although not required by the Purchasing Division, agencies may,

Although not required by the Purchasing Division, agencies may, however, enter property or equipment costing less than \$1,000 in the Fixed Asset system.

3.6.1 Exception: It is mandatory that all firearms be entered into the WVFIMS Fixed Asset system regardless of the cost, making sure serial numbers are entered correctly. . .”

RECOMMENDATION

We recommend the Director of Purchasing amend the “West Virginia Department of Administration, Purchasing Division, Administrative Services Section, Inventory Management and Surplus Property Disposition Policies and Guidelines” to include a requirement for State agencies to inventory computers costing less than \$1,000 on the WV Fixed Asset Inventory System.

DIRECTOR OF PURCHASING'S COMMENTS

Thank you for the opportunity to comment on the draft memorandum to be presented to the Post Audit committee on Monday October 8, 2007. As we discussed and agreed, the Purchasing Division agrees with this memorandum and will reduce the \$1,000 threshold to \$500 for computers. Since agencies will need some time to adjust their individual inventories, it would be our intent to require this action be completed by June 30, 2008.