



**DALLAS COUNTY**  
**COUNTY AUDITOR**

Memorandum

To: Chris Thompson  
Director of Operations

From: Virginia Porter *Virginia Porter*  
Dallas County Auditor

Subject: Fiscal Year 2013 ASC Inventory Report

Date: Issued: March 24, 2014  
Released: April 23, 2014

**Scope**

A physical inventory of the Automotive Service Center (ASC) locations at 715 Rowlett Road and 2311 Joe Field Road was performed on August 27, 2013.

**Background**

ASC is a division of Communications and Central Services. Principal areas of responsibility include preventative maintenance and repair of approximately 1,062 vehicles. Inventory records include auto parts, fuel sales from (Fuelman) credit card purchases, and fuel drops at the ASC locations. Jet Fleet is the parts inventory control system used by ASC.

**Procedures**

Review procedures included, but were not limited to the following:

- ◆ Obtaining an annual inventory list and count form from the Jet Fleet system (JF)
- ◆ Physically counting items and recording any discovery items
- ◆ Comparing the physical count to JF records and resolving any discrepancies
- ◆ Listing any items issued that had not been posted to the JF including items issued during the inventory count
- ◆ Listing items received that had not been posted to the JF
- ◆ Requesting parts usage and adjustment information
- ◆ Reviewing the storekeepers Vehicle Inspection report for discrepancies
- ◆ Verifying the mathematical accuracy of the Master Parts Listing report
- ◆ Tracing items from work orders to equipment
- ◆ Examining pick-up purchase orders (POs) and emergency POs
- ◆ Reviewing Request for Material Received (RMR) for timely preparation
- ◆ Tracing invoices from the general ledger to PCS for proper recording
- ◆ Reviewing a sample of battery and tire work orders to determine controls and procedures

## Review Findings

1. The physical inventory values and the adjusted pre-inventory Jet Fleet (JF) balances for parts and fuel are shown below:
  - Parts, oil, and lube (all locations):
    - \$109,330.17 physical count
    - \$108,589.97 adjusted JF value (pre-inventory JF value adjusted for timing differences in posting items issued/received)
  - Fuel (all locations):
    - \$43,374 (14,065 gallons) physical count
    - \$41,405.28 (13,424 gallons) adjusted JF value (pre-inventory PCS value adjusted for timing differences in posting items issued/received).
2. Variances of the JF inventory system compared to physical quantities were consistent with last year's count. Differences greater than \$200 (physical count over /under JF) for this fiscal year's inventory include: bulk oil, decals and letters, tires, O-rings and gaskets, A/C Line, and unleaded fuel.
3. Internal control weaknesses noted over the recording and handling of inventory records and postings to the JF system include:

### Tires

The JF system Parts Usage History report for the period of August 29, 2012 to August 28, 2013 showed a total of 1,813 tires charged out at a total cost of \$193,919.52. In addition, the Detailed Vehicle History Report reflects 79 tires totaling \$10,725.05 directly charged out to vehicles. The following details were noted:

- 321 tires totaling \$33,590.46 charged to Sheriff Patrol code (FD000) labeled as a work order (WR) in the HRON column without allocation to a specific vehicle. A 52% decrease of unallocated tires from the 2012 review period.
- 1571 tires totaling \$171,054.11 charged to various departments for approximately 445 vehicles. A 10% decrease in tires charged to specific vehicles from the 2012 review period.
- 51 (excluding FD000) vehicles with six or more tires charged-out to the same vehicle during the twelve month period including FE356 with 18 tires, FE260 with 14 tires, and FE299 and AE004 with ten (10) new tires each.
- Nine (excluding FD000) vehicles with two different types of tires reportedly charged-out on the same vehicle over a twelve month period.
- Pursuit vehicle tires are generally changed when tread is 4/32" due to safety concerns. Tread patterns are generally matched for all four tires on all vehicles due to safety concerns.

Comparison of the Oracle General Ledger, Oracle Accounts Payable, JF system Parts Received History report, and JF system Parts Usage History report for tires revealed:

- Two invoices for 24 tires totaling \$2,448 **not** entered into the JF system.
- One invoice for four (4) tires totaling \$312 **not** directly charged-out.  
**Status:** Corrected. Four tires charged-out to vehicle on October 8, 2013.
- Three invoices for 36 tires totaling \$2,991.40 purchased in FY 2010 posted to the JF system with a future year of 2030.
- Fifteen posting errors (13 bid cutbacks not captured and two invoice amount variances) totaling \$778.74.
- Multiple instances of invoices posted to the JF system with an incorrect invoice number.

A total of 1,734 scrap tires were removed and invoiced for \$5,419.15 from September 27, 2012 through September 11, 2013 and incorrectly charged to the ASC labor account #15410.

### Batteries

The JF system's Parts Usage History report for the period of August 29, 2012 to August 28, 2013 showed a total of 391 batteries charged out at a total cost of \$24,446.18. The following details were noted:

- 60 vehicles with more than one battery charged-out.
  - Three of the 60 vehicles with four batteries each charged-out to departments.
  - Seven of the 60 vehicles with three batteries each charged-out to departments.
- A 22% decrease in batteries charged-out to vehicles from the 2012 review period.
- One charge-out totaling \$40.62 posted to the JF system with a future date of 12-14-2014.

### Vehicle Inspections

The JF system's Parts Usage History report for the period ended August 29, 2012 thru August 28, 2013 shows a total of 392 OBD II State Inspection and 17 Safety Only Inspection stickers have been used. Reviewing the Manual Log Sheet and the Part Usage History Report revealed the following internal control weaknesses:

- 11 State Inspection stickers not listed on the Texas Department of Public Safety Vehicle Inspection Station Report (Manual Log Sheet).
  - Two Safety Only Inspection stickers not listed on the Texas Department of Public Safety Vehicle Inspection Station Report (Manual Log Sheet).
  - Four State Inspections stickers from the Manual log sheet not charged out/posted to the JF system.
  - Two State Inspection stickers charged out/posted to the JF System with the incorrect Vehicle Number listed.
  - One State Inspection sticker in the JF System is listed as Safety Only on the Manual Log Sheet.
  - One Safety Only Inspection sticker not accurately listed on the Manual Log Sheet or JF System. Vehicle information is for voided inspection and Inspection sticker information is from a completed Inspection.
  - Instances of Manual Log entries not legible enough to accurately determine inspection information without referring to the work order.
  - One Work Order for an Inspection sticker from the Manual Log Sheet/JF System could not be located.
  - One Work Order with a Vehicle Number entry error.
4. The Veeder Root reading is printed with the changes in fuel volume levels prior to and after each fuel delivery. A monthly adjustment is posted to JF system by the parts inventory clerk at the Joe Field location to reconcile the available fuel to volume amount on Veeder Root reading slip.
5. Fuelman card purchases were imported into the JF system prior to the generation of the monthly ASC fuel ticket consumption report by department / vehicle resulting in duplicate fuel expenditures charged out to the various County departments exceeding \$107,000. **Status:** Corrected by Financial Audit.
6. Cost control process includes the use of inventory accounts for vendor payment and allocation to department budgeted line items per work orders. Sample review of invoices compared to Oracle GL, Oracle AP Expense Distribution Detail reports, and JF system Monthly Detailed Vehicle History vehicle cost allocation reports revealed:
- Different GL accounts are used to record vendor payments and allocation to departments
  - Instances of coding errors for invoices/amounts to the JF system and GL including approximately \$10,085 for non-inventory items that should have been paid from ASC's General Fund budget or direct charged to user departments.
  - Instances of over (under) allocation on the JF system due to duplicate allocations and invoice amounts cut-back per bid price by AP not reflected on the JF system.
  - Incomplete reporting ('Detailed Vehicle History') of outside labor charges through the JF system.

*Response: First Class Auto invoices were pulled and entered to the JF system in November 2013.*

## Recommendations

1. Jet Fleet system inventory balances should be adjusted to the physical inventory count after posting quantities received / issued in the appropriate audit period including fuel delivery and usage. A periodic (monthly) reconciliation of fuel purchased, used, and on-hand should be performed by ASC staff. Continue monitoring the pump controls that measure fuel usage and examine the fuel storage tanks for possible leakage or water contamination. Prior to and after fuel has been delivered, ASC staff should measure the fuel tank level and note any variances on the delivery tickets.

*Response: Adjustments were recorded to the JF system based on August 2013 audit inventory counts.*

2. ASC staff should perform periodic inventory counts and reconcile to the JF report with any adjustments or corrections properly documented and referenced. Any errors or material variances should be investigated and corrected as appropriate. Reconciliation and documentation (including invoices and work orders not yet updated) should evidence supervisory review and be retained for audit.

Re-emphasize procedures previously recommended including:

- ◆ All inventory items properly charged-out as issued.
  - ◆ Any stock adjustments identified during periodic counts should be researched by ASC staff to determine the cause.
  - ◆ Gas tickets fully, legibly, and properly completed.
  - ◆ Plate numbers, assigned drivers, and/or department numbers should be updated to assigned vehicles.
  - ◆ Fuelman personal identification numbers should be deactivated for all terminated employees.
3. Tires and rims should be charged out as issued to a specific vehicle (**no charge outs to FD000**) requiring the replacement part(s) with reason for replacement noted on the Work Order. Tire quality and minimum life expectancy issues should be communicated to the Purchasing Department. Other departments including the Sheriff Department with after-hour replacement requirements should establish proper internal control procedures that:
    - a. Limit access to the inventory items, and
    - b. Require completion of part requisition documentation that lists at a minimum:
      - i. Date,
      - ii. Driver name,
      - iii. Vehicle number,
      - iv. Part number and description,
      - v. Quantity,
      - vi. Driver signature as acknowledgement of receipt of inventory issuance, and
      - vii. Designated inventory control officer signature.
    - c. Document reason(s) for tire replacement on the Work Order.
  4. ASC staff should reconcile and account for tires issued/replaced as compared to the number of tires picked up by the scrap tire vendor.
  5. Reason(s) for battery replacement should be properly documented on the Work Order.
  6. The use of fuel cards at the ASC locations may alleviate current problems with incomplete gas tickets and fuel inventory variances. Fuel cards would aid in preventing unauthorized pumping of gasoline from the manually operated pumps and improve quality and efficiency to the monthly fuel charge allocations.
  7. Continue to reconcile pump readings monthly to fuel tickets issued and consumption reports. A clear cut-off date and time should be established for inputting fuel tickets into the JF system and generating the monthly consumption reports. **Once consumption reports are generated and forwarded to Financial Audit for booking departmental expenditure allocations, offsite fuel consumption**

**through Fuelman purchases can be downloaded into the JF system. Weekly Fuelman reports that crossover two months should not be downloaded into the JF system until both months have been closed out and monthly consumption reports generated.**

8. Departments are responsible for the accuracy of requisitions they complete. Requisitions should be submitted with the correct account code combination for outside labor (#15410) charged directly to a specific vehicle with corresponding entries to the JF system completely and accurately. Separate requisitions should be prepared for vendors that provide both parts placed into inventory (#15420) and perform repairs / labor (#15410) as needed. Departmental charges should be allocated clearing the appropriate account and easily identifiable on the monthly detailed vehicle history reports.
9. All inventory purchases should be accurately, properly and timely entered to the JF system. Cut-backs to invoices based on bid prices should be appropriately captured in the JF system. Non-inventory items should be directly charged to the ASC general fund departmental budget number 1027.
10. Information written in inspection sticker log books should be clear, accurate, and recorded properly. Inspections should be properly documented and accounted for in the JF system.

*Response: ASC will follow recommendations. This will be addressed and corrected.*

### **Summary**

This review is intended to provide management with an evaluation of internal controls over the financial aspects of the inventory at the Auto Service Centers. While improvement has been noted, additional procedural changes regarding inventory control are needed.

Significant risks include: incomplete inventory controls over tires; no reconciliation between the Jet Fleet control totals and the General Ledger; duplicate Fuelman expenditure allocations to departments; and, incomplete outside labor expenditure allocations to departments.

Development of and implementation of a corrective action plan addressing the recommendations should provide for improved internal control over departmental processes. Consideration of all issues and weakness should be incorporated by the ASC as a self-assessment tool in testing processing functionality of the proposed automated card reader fuel system.

cc. Darryl Martin, Commissioners Court Administrator  
Ryan Brown, OBE Director



ASC Combined Inventory Reconciliation for FY2013

		Units	Unit Price	Value	
Balance Per PCS on 8/27/2013	Unleaded Fuel - Main	10888	\$ 3.060	33,317.28	Various PCS postings don't calculate to total in system of 10888 gallons?
Balance Per PCS on 8/26/2013	Unleaded Fuel - East	10405	\$ 3.070	31,943.35	
Items to be Posted:					
Unposted Delivery on 8/26/2013 - East					
		8,863.0	\$ 3.096	27,437.37	inv missing
8/7/2013 thru 8/27/2013 Usage Morning Prior to Count - Main					
		(7452)	\$ 3.060	(22,803.12)	Posting Pending on 8/28/2013
7/29/2013 thru 8/27/2013 @ 7:01 AM Usage Prior to Count - East					
		(9280)	\$ 3.070	(28,489.60)	Posting Pending on 8/28/2013
Subtotal					
		13424	\$ 3.084	41,405.28	
Unidentified PCS to Veeder Root Reading Variances - East					
		726	\$ 3.070	2,228.82	Corrected 8/28/2013 Correction Pending on 8/28/2013
Additional adjustment needed to PCS - Main					
		(85)	\$ 3.060	(260.10)	
Veeder Root Reading Inventory Balances Morning of 8/27/2013					
		14065	\$ 3.084	43,374.00	

				Value	
PCS Report Dated 8/27/2013	Parts Only - ASC Main @ R & B#1 Location			60,403.66	
PCS Report Dated 8/26/2013	Parts Only - East Location			48,186.31	
Initial Parts Adjustments Based on Inventory Updated to PCS on 8/28/2013 - Main				1,135.61	
Initial Parts Adjustments Based on Inventory Updated to PCS on 8/28/2013 - East				(427.47)	
Additional Parts Adjustments Updated to PCS on 9/6/2013 - Main				50.30	
Adjustment for Rounding Variances				0.22	
Adjusted ASC PCS Combined Inventory Value				109,348.63	
E1	Errors in posting adjustments-opposite sign to PCS - Main			(18.46)	UNCORRECTED
Adjusted ASC Combined Parts Inventory Total as of 8/27/2013 - Audit				109,330.17	

ASC Combined Adjusted Inventory as of 8/27/2013

120.0000.15420 Parts	\$109,330.17
120.0000.15430 Fuel	<u>\$43,374.00</u>
Adjusted ASC Combined Inventory Totals	<u>\$152,704.17</u>