



DALLAS COUNTY
COUNTY AUDITOR

Memorandum

To: Donna Billman
Director of Consolidated Services / Records Management Officer

From: Darryl D. Thomas *Darryl D. Thomas*
County Auditor *AKW*

Subject: Fiscal Year 2017 ASC Inventory Report

Date: Issued: *October 11, 2017*
Released: *November 2, 2017*

Scope

A physical inventory of the Automotive Service Center (ASC) located at 321 Northgate, Desoto, TX, and was performed on August 23, 2017.

Background

ASC is a division of Consolidated Services. ASC Desoto opened on January 23, 2017 and currently provides preventative maintenance and repair of approximately 1,188 County vehicles. Inventory records include auto parts, fuel sales from (James River Solutions) credit card purchases, and fuel drops at ASC locations. ASC utilized the Jet Fleet (JF) inventory control system until they implemented the FASTER fleet management system on April 18, 2017. ASC also implemented the FuelMaster fuel management system, to monitor gasoline in tanks at ASC Desoto and ASC East (715 Rowlett Road in Garland), on October 1, 2016.

Procedures

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

- ◆ Obtaining an annual inventory list and count form from the FASTER system
- ◆ Physically counting items and recording any discovery items
- ◆ Comparing the physical count to FASTER records and resolving any discrepancies
- ◆ Listing items issued not posted to FASTER, including items issued during the inventory count
- ◆ Listing items received that had not been posted to FASTER
- ◆ Requesting parts usage and adjustment information from JF and FASTER
- ◆ Verifying the mathematical accuracy of the Master Parts Listing Report
- ◆ Tracing items from work orders to equipment
- ◆ Reviewing Request for Material Received (RMR) for timely preparation
- ◆ Tracing invoices from the general ledger to Faster for proper recording
- ◆ Reviewing a sample of battery and tire work orders to determine controls and procedures
- ◆ Obtaining a VeederRoot reading of unleaded and diesel gasoline from ASC Desoto and East tanks
- ◆ Reconciling fuel VeederRoot readings to fuel invoices and consumption reports

Review Findings

1. **Parts, Oil, and Lube** (ASC Desoto):

The physical inventory values and adjustments to FASTER balances for parts are shown below:

- \$103,242.28 physical count
- A post audit adjustment of (\$3,705.41) was made because technicians failed to accurately complete work orders.
- Items totaling \$3,521.04 were moved to surplus, but still remain in FASTER. An adjustment is needed to remove these items from Faster.
- An additional \$205.61 adjustment is needed, due to work order posting errors

2. **Tires**

The JF system Parts Usage History Report and FASTER Items Issued Report for the period of August 25, 2016 to August 23, 2017 showed a total of 1,727 tires charged out at a total cost of \$181,306.51. The following details were noted:

- 21 tires totaling \$3,273.07 were directly charged out to vehicles without processing through the FASTER inventory system.
- 348 tires totaling \$36,306.45 charged to Sheriff Patrol code (FD000) labeled as a work order (WR) without allocation to a specific vehicle. These tires are issued to the Sheriff Office Traffic Division in bulk and stored at 7201 S. Polk Street, rather than replacing and tracking tires at ASC.
- 49 (excluding FD000) vehicles with six or more tires charged-out to the same vehicle during the twelve month period including FE559 with 10 new tires, CP050 with eleven new tires, FE608 with 13 new tires, and RC99E with 18 new tires.
- 20 instances (excluding FD000) where two different sized tires were charged-out to the same vehicle over a twelve-month period.

A review of invoices, JF system Parts Received History report, JF system Parts Usage History, and FASTER system Parts Received report for tires revealed:

- Differences totaling \$4,373.91 between the inventory records and invoices paid
- ASC does not reconcile tires replaced on vehicles to scrap tires throughout the year.

3. **Batteries**

The JF system Parts Usage History and FASTER System Parts Received Report for the period of August 28, 2016 to August 23, 2017 showed 375 batteries charged out at a total cost of \$25,354.07. The following details were noted:

- Two batteries totaling \$160.78 were directly charged out to two vehicles without processing through the FASTER inventory system.
- 66 vehicles with more than one battery charged-out.
 - 11 vehicles with three batteries charged-out.
 - Three vehicles (FE408, PS048, and FD122) with four batteries charged-out.
 - One vehicle (FE522) with more than five batteries charged-out.

4. **Fuel**

FuelMaster is used to track fuel, however 10,957 gallons of unleaded fuel (valued at \$18,407.76) remains in FASTER as of 08/23/17.

The reconciliation and adjustments, due to posting errors, to FuelMaster balances are shown below:

- Unleaded Fuel (ASC East):
 - \$17,654.91 (10,878 gallons) physical count
 - An adjustment of \$19,271.52 (11,874.07 gallons) to increase fuel is needed
- Unleaded Fuel (ASC Desoto):

- \$1,414.92 (795 gallons) physical count
 - An adjustment of \$4,730.49 (2,657.58 gallons) to decrease fuel is needed
 - Diesel Fuel (ASC Desoto):
 - \$12,013.59 (6,712 gallons) physical count
 - An adjustment of \$1,015.56 (567.35 gallons) to decrease fuel is needed
5. A periodic (monthly) reconciliation of fuel deliveries, fuel consumption, and fuel tank volume readings is not performed by ASC staff. As a result Fuel Master ending inventory balances at each location do not agree to volumes reported in each location fuel tank.
6. ASC staff does not utilize the full capabilities of the FASTER and FuelMaster system including use of fuel reports to improve the accuracy of tracking fuel volumes.
7. A review of the FASTER access and security controls, reporting, and application implementation was performed. The following details were noted:
- The Fleet Manager does not have the appropriate role and privileges in FASTER to perform management level tasks, while the administrative coordinator's role as a System Admin grants unrestricted access without management oversight.
 - In the absence of the administrative coordinator there is no designated back up to complete System Admin tasks in FASTER and FuelMaster.
 - The administrative coordinator makes manual adjustments to the vehicle number for fuel transactions prior to uploading to FuelMaster.

Recommendations

1. FASTER 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 deliveries, fuel consumption, and fuel tank volume readings 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. Continue to reconcile pump readings monthly to consumption reports and fuel deliveries.

Management Response: *Recommendations will be followed: A) Adjustments were reordered to the JF systems based on August, 2017 audit inventory counts and B) ASC has updated the fleet and fuel management system.*

2. ASC staff should perform periodic inventory counts and reconcile to the FASTER 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.

Management Response: *Recommendations will be followed: A) The new FASTER Management system gives monthly spot inventory checks and B) The Shop Assistant will follow bi-monthly periodic inventory and the recommendation will be addressed.*

3. Tires should be charged out as issued to a specific vehicle (**not charged out 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.

Management Response: *Recommendations will be followed: A) FD000 is used to charge out bulk and/or non-specific items to the Sheriff's Department and B) The ASC automotive parts area is open 50-hours per week; however, the parts clerk is only there for 40-hours. This procedure meets the operational needs of the Sheriff.*

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.

Management Response: *ASC will follow recommendation and be addressed.*

5. Reason(s) for battery replacement should be accurately recorded in the inventory system.

Management Response: *This will be addressed for correct documentation.*

6. All inventory purchases should be accurately, properly and timely entered to the FASTER system. Cut-backs to invoices based on bid prices should be appropriately captured in the FASTER system.

Management Response: *This will be addressed for correct documentation to the new FASTER Management System.*

7. Consider providing training sessions for ASC staff so they are educated on the how to use inventory software, work orders, conduct periodic inventory counts, run reports, and export data for further analysis and review. The benefits from spending county funds on a robust inventory system cannot be fully realized when the system purchased is not fully utilized. Management should ensure that vendors and consultants are able to provide effective training to employees for new software implementations and software updates. Management should hold employees accountable for learning how to use the inventory software by requesting productivity reports and results of periodic inventory counts.

Management Response: *ASC will follow recommendation and be addressed.*

8. Reconfigure Faster and FuelMaster system roles and privileges to ensure staff duties are appropriately segregated and that their permissions correspond to assigned tasks. It is a best practice is to limit system privileges to allow a user only enough access necessary to perform assigned and legitimate tasks.

Management Response: *This will be addressed and corrected with our new FASTER Management System and Fuel Master.*

9. A designated back up should be trained to process FuelMaster and Faster postings in the absence of personnel normally assigned to those tasks. System access should be limited to ensure only legitimate and assigned tasks are performed.

Management Response: *ASC Shop Assistant will be trained as a designated backup for our new Fleet Management System.*

10. Document a policy to grant and terminate access to FASTER and FuelMaster.

Management Response: *This will be addressed and corrected.*

11. Investigate a solution to eliminate vehicle number errors when posting transactions to FuelMaster and ensure manual adjustments are reviewed by management prior to posting.

Management Response: *ASC Shop Assistant will be trained as a designated backup for our new Fleet Management System.*

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 Center. While improvement has been noted, additional procedural changes regarding inventory control are needed.

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 automated card reader fuel system.

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