



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

**To:** Dale Lilley, Director – Facilities Management  
Steve Mize, Public Service Program Coordinator

**From:** Virginia Porter  
Dallas County Auditor

A handwritten signature in blue ink that reads "Virginia Porter".

**Subject:** Facilities Inventory Report

**Date:** Issued: October 25, 2013  
Released: December 11, 2013

During the period of September 9-17, 2013, our Internal Audit staff performed a complete (except as noted otherwise) count of the annual physical inventory of electrical (partial count at the North Tower), hardware (excluding fasteners), plumbing, pipe, paint, refrigerant, tile, filters, chemicals, keys, lumber, belts, and janitorial supplies at the Facilities Management sections of the North Tower-Lew Sterrett Jail, Crowley, George Allen Courts Building, Decker Building, Health and Human Services Building, Records Building, Quality Assurance, Electrician's Workshop, Administration Building, and the Public Service Program. Scope was increased due to procedural deficiencies regarding controls and lack of inventory review by Facilities.

Our specific procedures, findings and recommendations are discussed in the attached report. The report is intended for information and for the use of management. Inventory purchases have historically exceeded needs and an estimate of obsolete cost is \$514,174. Existing documentation indicates that distribution controls requires improvement. We recommend Facilities use the WASP (barcode inventory system) at all locations, tracking the inventory value and both inventory received and issued. We also recommend movement toward 'just-in-time' inventory and the improvement of controls related to the issuance and processing of inventory items including the use of pre-numbered Record of Materials issued forms and pre-numbered Pick-up Purchase Order forms and maintaining a per unit cost and total costs for each inventory item.

We appreciate the level of courtesy and cooperation extended to our staff during our review.

cc: Darryl Martin, Commissioners Court Administrator  
Shannon Brown, Purchasing Agent

## **Scope**

A count of the annual physical inventory of the janitorial, hardware, plumbing, paint, pipe, refrigerant, tile, filters, chemicals, keys, lumber, belts, and electrical supplies of the Facilities Management Department and Public Service Program was performed during the period of September 9-17, 2013. The count was expanded to most inventory items due to Facilities not performing physical counts at least annually for some locations and not providing physical counts for others, timely. The supplies inventoried are located at the North Tower-Lew Sterrett Complex, Decker Building, Health and Human Services Building, Crowley Courthouse, George Allen Jr. Courts Building, Quality Assurance, Electrician's Workshop, Public Service Program locations, the Records Building, and Administration Building. Requested Internal Control Questionnaire (ICQ) was not completed by Facilities.

## **Background**

Facilities Management is generally responsible for purchase, control, and use of products necessary for ongoing maintenance of Dallas County's buildings. Principal areas of responsibility include construction, engineering, and building maintenance. Public Service Program's principal area of responsibility includes painting. Inventory is valued at cost with most county wide usage charges absorbed by Facilities Department No. 1022. Exceptions include: janitorial supplies charged-out to each user County department; most painting supplies charged to Public Service Program Department No. 3330, and specific construction / remodeling projects charges to building improvements. The Quality Assurance team maintains a separate inventory for items with specific use by the jails.

## **Procedures**

Review procedures, conducted using sampling methodologies, included but were not limited to:

- Updating unit cost by researching cost online
- Physically counting most inventory items
- Requesting control documents/documentation relevant to purchase, storage, and use of inventory products
- Conducting interviews and observing procedures used to order and issue inventory
- Reviewing Record of Materials Issued Log
- Testing inventory cost allocation to departments
- Reviewing procedures related to Pick-up Purchase Orders

## **Findings**

1. The inventory consists of over 8,000 different items with an estimated pre-obsolete value of \$1,353,089 based on audit count. No comprehensive summary of inventory counts and values is updated / reviewed by Facilities management. A summary of inventory counts and values is attached as Exhibit A. (An electronic summary is available listing comparisons of the items counted.) Incomplete (including some

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counts not updated) handwritten inventory listings for the Public Service Program were provided. Inventory listings for the North Tower Facilities Management, Quality Assurance, Crowley Courthouse, and Electrician's Workshop were **not** provided by Facilities. Audit staff assigned estimated unit prices for hundreds of items when values were **not** received.

2. Audit staff performed a 100% (excluding fasteners and some electrical supplies) count of the North Tower after Facilities indicated that the inventory count and values were not accurate in the recently implemented WASP inventory system. Facilities continue to cite staff shortage as the primary reason for not maintaining updated inventory records. Although, Facilities transitioned to the WASP system, the bar code scan system has not been completely implemented. Facilities cite issues with Wi-Fi connection and security concerns in addition to staff resources as reason for WASP not being fully implemented. Currently, the Supply Inventory Specialist at the North Tower is manually inputting all supplies into the WASP system but not all items listed have been updated with the cost value. Other locations such as Quality Assurance and Electrician Workshop are not using the WASP system. Quality Assurance uses an Excel spreadsheet and the Electrician Workshop uses a manual system.
3. After Audit completed the inventory count, numerous items had to be researched for unit prices not provided by Facilities or Public Service. After extensive research by audit staff, prices for 843 items totaling 118,184 units were still missing.

**Status:** As of October 7, 2013, prices for 54 items totaling 105,180 units were provided by North Tower. Of the remaining eight (8) items totaling 685 units at the North Tower missing prices, three (3) items totaling 632 units were for tiles that are considered very old by Facilities.

4. During the inventory count, auditors were made aware of a previously undisclosed inventory storage area at Decker which is monitored by the North Tower Facilities.
5. Inventory items at several locations were not maintained in such a way as to allow ease in identifying and tracking of supply items. Several inventory items are not indicated by item name and/or part number which makes the inventory process very difficult in regards to ascertaining what the item is and its related costs. Pictures were taken at the Electrician's workshop during previous year's inventory, which aided in determining items. In several instances, Facilities staff had to be on hand to assist the auditors. Some items have been unmoved for many years and seem to be unusable or in excess of County needs. No formula or process exists to determine obsolescence.
6. There is a risk for potential theft of supply items because access at inventory locations is not completely restricted and individuals are allowed to get items without the supply staff. Removal of items may not be documented.
  - At HHS, the inventory items are located on the basement level and 9<sup>th</sup> floor. The area is not locked and is readily accessible to any individual at any time.

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- At North Tower, the supply room main entry door is closed but not locked to the outside. North Tower facilities department closes the supply room down for lunch from 11:00 AM to 12:00 PM.
7. Approximately 814 Facilities Management Pick-up Purchase Orders (PUPO) were issued in FY2013 as of September 9, 2013. While a decrease of approximately 14% from the prior fiscal year at the same point, we were unable to determine if existing supplies were checked for quantities on hand prior to the use of a Pick-Up PO. The following issues were noted:
- One PUPO issued for \$687.35
  - PUPOs are still arriving late from Facilities. Accounts Payable noted a few instances where discounts offered by the vendors have been missed because they are not received in time to take advantage of such discounts. The result is loss of savings and non-efficient use of Dallas County resources.
  - Voided PUPOs are not listed on the Excel log maintained by the clerks at George Allen. When a PUPO is rejected and sent back, a requisition is made and the voided PUPO is attached to the requisition and sent for processing.
  - PUPOs are not being processed in sequential order; maintenance workers are holding onto PUPOs for weeks or months before using. PUPOs are for items costing \$500 or less requiring an urgent need. I
  - In our sample of PUPOs reviewed, we noted an instance where the purchase order had a different amount than what was indicated on the invoice that was processed and recorded to the general ledger. A pro reward refund was issued but not indicated or adjusted on the PUPO.
  - Three voided PUPOs were located in the purchasing department folder for Facilities department. One voided item did not have an explanation for the voided purchase requisition. Another voided PUPO was found on the requisition summary in Oracle, but a hard copy of void could not be located. Audit was unable to substantiate whether all the voids are being tracked or the person responsible for tracking the voided PUPOs.
8. Two Facilities employees purchased items for personal use with cash totaling \$83.88 using County name. State sales tax was not charged by the vendors.
9. Facilities employees working at HHS clock in and out at Cook Chill. Employees also leave the HHS building between 2:45 PM to 3:00 PM to drive to Cook Chill to clock out.
10. Monthly supply janitorial distribution summary reports for March and July 2013 (generated by Facilities to allocate janitorial expense amount to various departments) were reviewed on a test basis. The janitorial reports were traced to Excel sheets and to issue documents (pre-numbered Requisition on Storekeeper for Janitor Supplies form) maintained by Facilities.
- Three items in March could not be traced to a specific issue document. No controls to ensure all issued requisitions are accounted for in accordance with County policies.
  - No verification of expense amounts against requisition amounts exists.



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- March variance of \$3,445.44 was noted. Allocation to North Tower (Department 3141) was overstated by \$3,684.30 due to duplication of an item. Allocation to OBS-George Allen (Department 1022, Operation Services - Facilities) was understated by \$58.72 due to item on requisition being excluded. Allocation to Old Red (Department 1022, Operation Services - Facilities) was understated by \$85.68 due to input error for quantity. Allocation to Records Management (Department 1024) in the amount of \$94.46 was not recorded due to a formula error.
- July variance of \$4,630.30 was noted. Allocation to Lew Sterrett West Tower (Department 3142) was overstated by \$6,379.20 due to input error for quantity. Allocation to North Tower (Department 3141) was understated by \$2,290.27 due to items on requisition being excluded. Allocation to Kays South Tower (Department 3148) by \$219.55 was understated due to items on requisition being excluded. Mesquite Control (Department 5211) was understated by \$16.46. Allocation to Gun Range (Department 3132) for \$856.42 was not recorded; the location was excluded from the distribution report. Also, OBS-HHS/Record (Department 1022, Operation Services - Facilities) was overstated by \$1,633.80.
- Two locations ordered items considered office supplies using Facilities issue document in July 2013 rather than through regular purchasing requisition process. Facilities department did not include these items on the janitorial distribution report. Enforcement of the procedures for ordering appropriate supplies through Facilities is not consistently adhered to in accordance with County policies.

### **Recommendations**

1. Inventory records should be established and recorded timely and accurately for all locations. Management should consider implementing the use of procurement cards and order items only as needed to effectively utilize county resources. Personnel obtaining supplies should be required to sign a pre-numbered Record of Material Issued Form. All photocopy forms received by email or fax from departments should be recorded on a pre-numbered Record of Material Issued Form.
2. Inventory should be maintained at an adequately safeguarded centralized location under the control of a supply inventory clerk. Remote sites should have limited quantities of inventory items on hand, be adequately safeguarded with limited access, and require supporting documentation to justify replenishment from the centralized location. Written procedures for proper inventory controls should be developed (updated annually) and implemented for use by properly trained staff at all locations.
3. Migration of inventory tracking to the WASP barcode system should be completed and expanded to include inventories for all locations to capture all inventory items, including special orders, received and requisitioned on a real time basis. The WASP barcode system should assign issued receipt numbers sequentially and missing receipt numbers should be identified monthly noting the reason for unused receipt numbers. The WASP barcode system should include unit price of inventory items.

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4. Facilities Management and Public Service Program should perform periodic inventory counts during the fiscal year, updating inventory records for all locations with **current unit prices** and **quantities** on hand. Inventory items at all locations should be examined periodically to identify obsolete items. Obsolete items should be transferred to surplus and sold at County auction.
5. Inventory items should be maintained at the lowest quantities needed to efficiently support County operations. Supervisors approving requisitions should be aware of current inventories on hand for all locations. An electronic inventory file should be periodically updated to a network drive accessible by each supervisor. Use of Pick-up POs should be limited, authorized only after verification that supplies on hand do not currently exist, and reviewed periodically to determine if specific supplies on hand should be increased slightly to reduce the number of Pick-Up POs and to obtain the lowest price for Dallas County. Random spot checks for proper supply usage should be performed.
6. Pick-Up POs should **not** be used to circumvent the County procurement process, but used in compliance with Dallas County Code Section 94-95 through 94-100 specifically for emergency repair parts, materials/supplies that are covered under contract, and emergency construction materials (justified by department heads).
7. A copy of Pick-Up POs, including voided or canceled ones, should be maintained by Facilities and Public Service. Annually, Facilities and Public Service should account for all unused Pick-Up PO forms that have been issued to the various locations.
8. A formal process should be used to identify and remove obsolete products.
9. Inventory locations should be secured and restricted to authorized personnel. Lunch schedules for North Tower Supply Room staff should be staggered to ensure personnel are available to issue supply items.
10. Staff should be instructed **not** to purchase personal items from County vendors while on duty. Employees should **not** use Dallas County account when making personal purchases nor escape the payment of State sales tax.
11. Facilities should consider establishing a more efficient process for recording in and out times for employees working at HHS to reduce paid commute time to/from Cook Chill.

### **Summary**

This review is intended to support management of this office in evaluating internal controls over inventory records. A corrective action plan reflecting enhanced controls should be implemented. The WASP inventory system should be fully implemented at all locations and the barcode scan activated in order to more accurately account for inventory items and aid in the physical count.

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Highest areas of risk which need to be addressed include: lack of complete and accurate perpetual inventory control records; excessive inventory quantities/values including obsolete items; and limited oversight and non-compliant use of Pick-Up POs.

Emphasis on outlined procedures should provide for improved inventory control processes. Consideration of all issues and weaknesses should be incorporated as a self-assessment tool in testing functionality of inventory and barcode systems. Adherence to and follow-through with the recommendations should strengthen internal control and compliance with Dallas County policies and procedures.

DESCRIPTION	NORTH TOWER (current year counts and values not provided)		GEORGE ALLEN		QUALITY ASSURANCE (current year counts and values not provided)		CROWLEY (current year counts and values not provided)		PUBLIC SERVICE (current year counts and values provided, except for Lumber)		HEALTH AID HUMAN SERVICES		ELECTRICIAN'S WORKSHOP (current year counts and values not provided by Facilities)		RECORDS / ADMINISTRATION (current year counts and values partially provided)		2013 INVENTORY		2012 INVENTORY		P14 INCREASE (DEFERRED TO P12)	
	ACTUAL COUNT	ACTUAL VALUE	ACTUAL COUNT	ACTUAL VALUE	ACTUAL COUNT	ACTUAL VALUE	ACTUAL COUNT	ACTUAL VALUE	ACTUAL COUNT	ACTUAL VALUE	ACTUAL COUNT	ACTUAL VALUE	ACTUAL COUNT	ACTUAL VALUE	ACTUAL COUNT	ACTUAL VALUE	ACTUAL COUNT	ACTUAL VALUE	ACTUAL COUNT	ACTUAL VALUE	ACTUAL COUNT	ACTUAL VALUE
BALLAST	254	\$ 9,305.66	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	514	\$12,942.28	82	\$3,572.50	432	\$9,369.88
BEARINGS	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	112	\$6,639.63	211	\$8,205.47	(89)	(\$1,565.84)
BELTS	2,545	\$ 20,644.01	218	\$ 3,562.18	296	\$ 2,096.92	0	\$ -	0	\$ -	226	\$ 1,617.62	0	\$ -	0	\$ -	3,619	\$32,771.28	3,320	\$28,985.58	299	\$3,785.69
CHEMICAL	1,609	\$ 14,624.32	0	\$ -	77	\$ 713.83	0	\$ -	0	\$ -	286	\$ 1,517.76	88	\$ 1,269.24	4	\$ 55.84	2,293	\$17,008.23	2,274	\$18,278.87	10	(\$1,270.64)
ELECTRICAL EQUIPMENT	18	\$ 2,100.00	5,780	\$ 82,120.66	831	\$ 80,322.16	0	\$ -	0	\$ -	6,198	\$ 78,516.63	6,198	\$ 78,516.63	1,936	\$ 20,520.34	141,638	\$441,763.61	140,278	\$389,288.34	1,359	\$78,475.27
FASTENERS	214,065	\$ 25,884.42	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	18	\$2,106.00	0	\$ -	18	\$2,106.00
FILTERS	72	\$ 105.64	1,159	\$ 20,101.76	261	\$ 5,841.52	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	414,718	\$49,100.04	410,074	\$39,382.21	4,643	\$9,717.83
HARDWARE	11,856	\$ 54,218.92	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	3,629	\$30,534.30	4,844	\$31,549.01	(1,015)	(\$1,014.71)
JANITORIAL	110,842	\$ 82,860.34	0	\$ -	10	\$ 233.91	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	46,298	\$10,491.75	44,227	\$12,209.63	2,069	\$8,282.12
KEY/Switches	0	\$ -	9,478	\$ 15,008.66	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	110,222	\$91,539.25	120,005	\$120,005.00	9,773	\$8,465.75
LAMP/ Lighting	13,938	\$ 48,442.52	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	2,888.67	\$ 2,888.67	2,422	\$ 2,129.72	466	\$ 3,758.95
LUMBER	0	\$ -	2,586	\$ 11,777.85	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -
Misc/Clips	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -
PAINT	462	\$ 2,880.30	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -
PIPE (Fen)	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -
PLUMBING	54,138	\$ 159,879.16	2,316	\$ 20,860.10	18,714	\$ 167,830.38	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	718	\$31,297.21	19,241	\$10,888.00	(626)	(\$20,409.21)
REFRIGERANT	3,050	\$ 12,853.48	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	77,794	\$381,541.87	69,747	\$340,184.16	7,947	\$41,357.71
TILE	4,858	\$ 6,274.02	888	\$ 3,463.20	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	3,054	\$13,118.40	4,104	\$14,441.45	(1,050)	(\$1,322.95)
WIRE (500 FT roll)	251	\$ 12,838.29	46	\$ 2,728.44	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	6,189	\$11,162.07	7,883	\$10,120.69	(1,693)	(\$8,958.62)
TOTAL	535,410	\$ 695,470.65	22,483	\$ 159,645.15	46,890	\$ 289,579.83	206,020	\$ 76,213.83	2,389	\$ 11,221.85	28,161	\$ 71,493.22	7,636	\$81,224.34	7,619	\$12,222.78	886,477	\$1,533,089.74	765,454	\$1,335,085.07	81,023	\$17,004.67

\* = FAMS Inventory System no longer used by Facilities  
 2 = Facilities count used for belts and electrical due to remodel underway during auditor's count  
 V = Values are estimated due to no or limited current unit prices provided by Facilities. Values for some items could not be determined.

\* = Converted text to 500 ft roll for comparison  
 \*\* = Has stored items at Decker Building not counted in 2013  
 \*\*\* = Facility Computer Shop closed and inventory sent to Public Service/Crowley/George Allen

EL-ELECTRICAL	CONNECTORS,	COVERS,	FUSES,	LAMP/sockets	WIRE NUTS	FASTENERS	NUTS,	BOLT/S,	BEARINGS,	BRUSH,	FLOOR PADS,	MOPS,	PAPER TOWELS	SCREW DRIVERS,	TOOL BIT/S	TRASH CAN	HARDWARE	ASHTRAY/S,	BROOM,	BRUSH,	FLOOR PADS,	MOPS,	PAPER TOWELS	SCREW DRIVERS,	TOOL BIT/S	JANITORIAL	ASHTRAY/S,	BROOM,	BRUSH,	FLOOR PADS,	MOPS,	PAPER TOWELS	SCREW DRIVERS,	TOOL BIT/S	TRASH CAN
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Original Reported Inventory Value Not Sampled \$9,000  
 Additional Adjustment for Non-Sampled Items \$809  
 Pre-Obsolete Adjusted Inventory Value \$1,253,085.74  
 Adjustment for Obsolete Inventory 3% (\$81,412,101)  
 Final Adjusted Facilities Inventory Value \$338,915.64