



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

**To:** Chris Thompson  
Communications, Central Services, and Operation Services

**From:** Virginia Porter  
Dallas County Auditor

A handwritten signature in cursive script that reads "Virginia Porter".

**Subject:** Facilities Inventory Report

**Date:** Issued: October 11, 2010  
Released: October 25, 2010

During the period of August 23-27, 2010, our Internal Audit staff performed a limited sample count of the annual physical inventory of electrical, hardware, and janitorial supplies at the Facilities Management section of the North Tower-Lew Sterrett Jail, Crowley, Health and Human Services Building, and Dallas County Paint and Carpenter Shops.

Our specific procedures, findings and recommendations are discussed in the attached report. The report is intended for information and for the use of management. We commend Facilities reorganization of the inventory process and movement toward "just-in-time" ordering initiatives. We also recommend that the reorganization include a sale of obsolete items.

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

cc: Commissioners Court  
Shannon Brown

Dallas County, Texas  
Facilities Management Department Inventory Report  
October 11, 2010

## **Scope**

A limited sample count of the annual physical inventory of the janitorial, hardware and electrical supplies of the Facilities Management Department was performed during the period of August 23-27, 2010. The supplies inventoried are located at the North Tower-Lew Sterrett Complex, Health and Human Services Building, Crowley Courthouse, and the Dallas County Paint and Carpenter Shops.

## **Background**

Facilities Management controls the resources to manage Dallas County's buildings. Principal areas of responsibility include construction, engineering, and building maintenance. Inventory is valued at cost with most county wide usage charges absorbed by Facilities Department No. 1022. Exceptions include hardware, plumbing, etc. used by the jails charged to Quality Assurance Department No. 1028 and janitorial supplies charged-out to each user County department. 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:

- Physically counting items on a sample basis
- Comparing sample count to inventory listing provided by Facilities Management
- Updating unit cost using sampling methodology
- Conducting interviews and observing procedures used to order and issue inventory
- Reviewing Record of Materials Issued Log
- Testing inventory cost allocation to departments

## **Findings**

1. Personnel obtaining supplies are required to sign a Record of Material Issued form for hardware, electrical, and janitorial supplies received.
2. The inventory consists of approximately 4,000 different items with an estimated pre-obsolete value of \$642,160 based on the sample count. A summary of adjusted inventory counts and values is attached as Exhibit A. (An electronic summary is available listing comparisons of the items sampled.) The inventory listings provided by Facilities Management include quantities and unit prices that were inconsistently updated when items were received and/or issued/used. Approximately, 3,200 items have been recorded to the FAMIS inventory system. Inventory listings for the Health and Human Services Building, Crowley Courthouse, and the Dallas County Paint and Carpenter Shops were not provided by Facilities.

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Facilities Management Department Inventory Report  
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3. Items at the North Tower and items maintained by Quality Assurance were well-organized. However, at all other locations, items were not maintained in such a way as to allow easy identification and tracking of items. Some items have been unmoved for many years and seem to be unusable or in excess of County needs.
4. Over 1,116 Pick-up Purchase Orders issued in Fiscal Year 2010.
5. Reviewed monthly summary reports for March and June 2010 on a test basis and traced 34 departmental requisition postings to the Oracle general ledger for accurate recording to proper departments. Two errors in submitting charges to Financial Audit were noted.

**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.

**Response:** Facilities Supply corrective action plan: Implement the FAMIS inventory system countywide to all County buildings by October 1, 2011. FAMIS has the ability to establish safety stock, reorder points, lead-time, economic order quantities, etc. Supply is currently working with Purchasing on critical elements of online ordering for electrical and plumbing parts, allowing for same day or next day delivery. Currently, we have one vendor online for most hardware, electrical, and plumbing parts. Online ordering will minimize stock and reduce Pick-Up P.O.'s by allowing the vendor to stock and warehouse. FAMIS also has the ability for 'Out of Stock' report and 'Need to Order' reports.

2. Continue migration of inventory tracking to the FAMIS system to include inventories by location to capture all inventory items received and requisitioned on a real time basis.

**Response:** Facilities Supply corrective action plan: Inventory by location is a work in- progress in conjunction with IT Services and Auditor's office to develop priority targets, and FAMIS software specific to users.

3. 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 Purchase Orders should be limited and authorized only after verification supplies on hand do not currently exist. Random spot checks for proper supply usage should be performed. Usage levels should be identified for janitorial supplies with explanations obtained on peaks exceeding an acceptable range.

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**Response:** Facilities Supply corrective action plan: Inventory listing is currently on the K-Drive, supervisors for Facilities and QA have access to these Excel spreadsheets. Inventory is updated periodically as time and work force permits. Supply is currently recording transactions in both FAMIS and Excel (back-up). Pick-up P.O.'s are reviewed to minimize stock items being purchased by the Supply supervisor. Janitorial supplies issued are reported to the Auditor's office on a monthly basis and charged-out to each department and credit given to Facilities janitorial inventory asset account number 15310.

4. Facilities Management 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.

**Response:** Facilities Supply corrective action plan: Facilities Supply performs periodic inventory counts for ordering purposes at the North Tower Facilities warehouse 1 and 2. FAMIS database will expand to other locations as workforce and time permits. The goal is to be all-inclusive by the end of Fiscal Year 2011. Obsolescence is subjective as we deplete items for Facilities Supply. 98% of stock items can still be used for their intended purpose or adapted for other purposes. Overstock is more an issue than Obsolescence as Supply transitions to a perpetual inventory and Just in Time Ordering.

**Response to Variances of Inventory between Facilities and Audits counts:** Both categories not inventoried prior to the audit. Data was stale. All other categories were accurately accounted for by Audit. The Audit count was conducted two weeks after the North Tower Supply had conducted its inventory counts. North Tower Supply continues to improve and transition to FAMIS database to a perpetual inventory, and Just in Time Ordering system. The effort is underway to expand to all locations with FAMIS software for inventory to be completed by the next Audit in August 2011.

### 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.

DESCRIPTION	CROWLEY (current year counts and values not provided by Facilities)				**QUALITY ASSURANCE		PAINT SHOP & CARPENTER SHOP (current year counts and values not provided by Facilities)		HEALTH AND HUMAN SERVICES (current year counts and values not provided by Facilities)		2010 INVENTORY		2009 INVENTORY		FY10 INCREASE (DECREASE) COMPARED TO FY09	
	NORTH TOWER	ADJUSTED COUNT	ADJUSTED VALUE	DERIVED COUNT	DERIVED VALUE	ADJUSTED COUNT	ADJUSTED VALUE	DERIVED COUNT	DERIVED VALUE	DERIVED COUNT	DERIVED VALUE	ADJUSTED COUNT	ADJUSTED VALUE	ADJUSTED COUNT	ADJUSTED VALUE	ADJUSTED COUNT
BALLAST	287	\$7,126.79	0	\$0.00	0	\$0.00	0	\$0.00	31	\$543.67	318	\$7,670.46	341	\$8,416.71	(23)	(\$746.25)
BEARINGS	0	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00	63	\$4,639.42	63	\$4,639.42	0	\$0.00	63	\$4,639.42
BELTS	1,926	\$14,400.28	0	\$0.00	0	\$0.00	0	\$0.00	163	\$1,136.69	2,089	\$15,536.97	2,082	\$15,820.58	7	(\$283.61)
CHEMICAL	1,723	\$19,141.49	0	\$0.00	0	\$0.00	331	\$1,672.62	112	\$164.88	2,166	\$20,978.99	4,444	\$33,722.31	(2,278)	(\$12,743.32)
ELECTRICAL	52,363	\$76,514.01	0	\$0.00	0	\$0.00	0	\$0.00	2,842	\$4,937.74	55,205	\$81,451.75	69,481	\$88,626.05	(14,276)	(\$7,174.30)
FASTENERS	233,811	\$18,353.13	0	\$0.00	0	\$0.00	129,611	\$14,322.64	8,049	\$359.14	371,471	\$33,034.91	296,430	\$28,930.96	75,041	\$4,103.96
FILTERS	6,331	\$23,726.64	0	\$0.00	0	\$0.00	0	\$0.00	442	\$1,265.62	6,773	\$24,992.26	2,457	\$5,102.74	4,316	\$19,889.52
HARDWARE	9,950	\$38,715.90	0	\$0.00	51	\$2,055.00	101,546	\$24,201.19	0	\$0.00	111,547	\$64,972.09	22,829	\$59,048.48	88,717	\$5,923.61
JANITORIAL	7,064	\$110,727.72	0	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00	7,064	\$110,727.72	7,677	\$136,780.22	(613)	(\$26,052.50)
KEYS/Locks	0	\$0.00	2,468	\$1,848.52	0	\$0.00	9,812	\$8,471.90	6,751	\$5,376.36	19,031	\$15,696.78	17,131	\$14,918.39	1,900	\$778.39
LAMPS/Bulbs	16,561	\$43,069.45	0	\$0.00	0	\$0.00	84	\$481.38	732	\$1,059.05	17,377	\$44,609.88	19,315	\$56,328.54	(1,938)	(\$11,718.66)
LUMBER	0	\$0.00	133	\$8,087.40	0	\$0.00	157	\$1,261.99	0	\$0.00	290	\$9,349.39	1,505	\$2,630.49	(1,215)	\$6,718.90
PAINT	536	\$3,029.51	0	\$0.00	0	\$0.00	1,275	\$17,330.90	13	\$258.00	1,824	\$20,618.41	1,858	\$8,798.00	(34)	\$11,820.41
PIPE (Feet)	11,668	\$12,192.50	0	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00	11,668	\$12,192.50	10,370	\$15,248.90	1,298	(\$3,056.40)
PLUMBING	47,930	\$95,714.20	0	\$0.00	2,752	\$32,617.29	0	\$0.00	2,366	\$7,639.03	53,048	\$135,970.52	51,135	\$117,474.25	1,913	\$18,496.27
REFRIGERANT	2,790	\$20,878.00	0	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00	2,790	\$20,878.00	2,604	\$24,770.40	186	(\$3,892.40)
TILE	800	\$1,684.48	0	\$0.00	0	\$0.00	0	\$0.00	159	\$273.48	959	\$1,957.96	239	\$687.98	720	\$1,269.98
WIRE (500 ft roll)	245	\$13,535.77	42 *	\$2,223.00	0	\$0.00	0	\$0.00	28 *	\$1,123.71	315	\$16,882.48	356	\$18,444.02	(41)	(\$1,561.54)
<b>TOTAL</b>	<b>393,984</b>	<b>\$498,809.88</b>	<b>2,643</b>	<b>\$12,158.92</b>	<b>2,803</b>	<b>\$34,672.29</b>	<b>242,816</b>	<b>\$67,742.61</b>	<b>21,751</b>	<b>\$28,776.79</b>	<b>663,997</b>	<b>\$642,160.49</b>	<b>510,254</b>	<b>\$635,749.02</b>	<b>153,743</b>	<b>\$6,411.47</b>

Original Reported Inventory Value Not Sampled	\$148,445.02
Additional Adjustment for Non-Sampled Items	\$ (29,102.94)
Pre-Obsolete Adjusted Inventory Value	\$613,057.55
Adjustment for Obsolete Inventory	30% (\$183,917.27)
Final Adjusted Facilities Inventory Value	\$429,140.29

\* = Converted feet to 500 ft roll for comparison

\*\* = Area not counted in FY2009

<u>ELECTRICAL</u>	<u>FASTENERS</u>	<u>HARDWARE</u>	<u>JANITORIAL</u>
CONNECTORS, COVERS, FUSES, LAMP HOLDERS, SWITCHES, WIRE NUTS	BOLTS, NUTS, SCREWS, WASHERS	BATTERIES, BEARINGS, BITS, FLAGS, SAFETY ITEMS, TAPE	ASHTRAYS, BROOM, BRUSH, FLOOR PADS, MOPS, PAPERTOWEL S SOAP, SPRAY DEODORANTS, TOILETRIES, TRASH CAN

North Tower						North Tower				
Items	Facilities Reported (Total)	Sample Items from Facilities Reported Count	Auditors Count (Sample)	Variance Facilities Sample Count Overstated (Understated)	Percentage Facilities Sample Count Overstated (Understated)	Facilities Reported Value (Total)	Facilities Value (Sample)	Auditors Value (Sample)	Variance Facilities Sample Value Overstated (Understated)	Percentage Facilities Sample Value Overstated (Understated)
Ballast	328	308	267	41	13.31%	\$7,800.02	\$7,491.33	\$6,818.10	\$673.23	8.99%
Belts	1,984	863	805	58	6.72%	\$15,201.25	\$9,534.45	\$8,733.48	\$800.97	8.40%
Chemical	3,770	3,258	1,211.0	2,047.0	62.83%	\$38,791.69	\$37,067.74	\$17,417.54	\$19,650.20	53.01%
Electrical	52,376	208	195	13	6.25%	\$77,401.26	\$9,549.77	\$8,662.52	\$887.25	9.29%
Fasteners	252,185	77,473	59,099	18,374	23.72%	\$21,361.41	\$12,530.99	\$9,522.71	\$3,008.28	24.01%
Filters	4,039	2,685	4,977	(2,292)	-85.36%	\$21,534.46	\$10,779.21	\$12,971.39	(\$2,192.18)	-20.34%
Hardware	14,834	10,755	5,871	4,884	45.41%	\$55,487.31	\$47,317.76	\$30,546.35	\$16,771.41	35.44%
Janitorial	14,172	12,151	5,043	7,108	58.50%	\$248,077.19	\$241,270.33	\$103,920.86	\$137,349.47	56.93%
Lamps	17,323	16,662	15,900	762	4.57%	\$52,570.50	\$51,606.02	\$42,104.97	\$9,501.05	18.41%
Paint	737	737	536	201	27.27%	\$ 4,667.89	\$ 4,667.89	\$3,029.51	\$1,638.38	35.10%
Pipe	12,947	6,825	5,546	1,279	18.74%	\$12,621.75	\$4,454.45	\$4,025.20	\$429.25	9.64%
Plumbing	55,318	22,037	14,649	7,388	33.53%	\$154,612.24	\$125,412.01	\$66,513.97	\$58,898.04	46.96%
Refrigerant	2,460	2,460	2,790	(330)	-13.41%	\$20,606.80	\$20,606.80	\$20,878.00	(\$271.20)	-1.32%
Ceiling Tile - now included with Crowley Lumber	4,937	4,937	800	4,137	83.80%	\$5,796.04	\$5,796.04	\$1,684.48	\$4,111.56	70.94%
Wire	684	684	245	439	64.19%	\$21,172.01	\$21,172.01	\$13,535.77	\$7,636.24	36.07%
<b>Totals</b>	<b>438,094</b>	<b>162,043</b>	<b>117,934</b>	<b>44,110</b>	<b>27.22%</b>	<b>\$757,701.82</b>	<b>\$609,256.80</b>	<b>\$350,364.85</b>	<b>\$258,891.95</b>	<b>42.49%</b>

converted wire for North Tower to same unit of measure (500 ft per roll)

North Tower Value Not Sampled

\$148,445.02

CROWLEY (No FY10 Data Provided by Facilities)						CROWLEY (No FY10 Data Provided by Facilities)				
Data has been derived by using FY10 Audit Count/Value info and combining with items from Facilities FY09 data	Derived Count (Total)	Sample Items from Facilities Reported Count	Auditors Count (Sample)	Variance Facilities Sample Count Overstated (Understated)	Percentage Facilities Sample Count Overstated (Understated)	Derived Value (Total)	Facilities Value (Sample)	Auditors Value (Sample)	Variance Facilities Sample Value Overstated (Understated)	Percentage Facilities Sample Value Overstated (Understated)
Keys	2,468	Not provided	2,468	unable to calculate		1,848.52	Not provided	1,848.52	unable to calculate	unable to calculate
Lumber	133	Not provided	133	unable to calculate		8,087.40	Not provided	8,087.40	unable to calculate	unable to calculate
Wire	21,050	Not provided	21,050	unable to calculate		2,223.00	Not provided	2,223.00	unable to calculate	unable to calculate
<b>Totals</b>	<b>23,651</b>		<b>23,651</b>			<b>12,158.92</b>	<b>0.00</b>	<b>12,158.92</b>		

Crowley Value Not Sampled

\$0.00

QUALITY ASSURANCE						QUALITY ASSURANCE				
	Facilities Reported (Total)	Sample Items from Facilities Reported Count	Auditors Count (Sample)	Variance Facilities Sample Count Overstated (Understated)	Percentage Facilities Sample Count Overstated (Understated)	Facilities Reported Value (Total)	Facilities Value (Sample)	Auditors Value (Sample)	Variance Facilities Sample Value Overstated (Understated)	Percentage Facilities Sample Value Overstated (Understated)
Hardware	51	51	51	0	0.00%	2,055.00	2,055.00	2,055.00	\$0.00	0.00%
Plumbing	2,696	2,696	2,752	(56)	-2.08%	31,715.88	31,715.88	32,617.29	(\$901.41)	-2.84%
Totals	2,747	2,747	2,803			33,770.88	33,770.88	34,672.29		
Quality Assurance Value Not Sampled									\$0.00	

Carpenter Shop (No FY10 Data Provided By Facilities)						Carpenter Shop (No FY10 Data Provided By Facilities)				
Data has been derived by using FY10 Audit Count/Value info and combining with items from Facilities FY09 data	Derived Count (Total)	Sample Items from Facilities Reported Count	Auditors Count (Sample)	Variance Facilities Sample Count Overstated (Understated)	Percentage Facilities Sample Count Overstated (Understated)	Derived Value (Total)	Facilities Value (Sample)	Auditors Value (Sample)	Variance Facilities Sample Value Overstated (Understated)	Percentage Facilities Sample Value Overstated (Understated)
Fasteners	129,611	not provided	129,611	unable to calculate		14,322.64	not provided	14,322.64	unable to calculate	
Hardware	101,546	not provided	101,546	unable to calculate		24,201.19	not provided	24,201.19	unable to calculate	
Keys	9,747	not provided	9,747	unable to calculate		7,368.99	not provided	7,368.99	unable to calculate	
Lamps	84	not provided	84	unable to calculate		481.38	not provided	481.38	unable to calculate	
Locks	65	not provided	65	unable to calculate		1,102.91	not provided	1,102.91	unable to calculate	
Lumber	157	not provided	157	unable to calculate		1,261.99	not provided	1,261.99	unable to calculate	
Tile	0	not provided	0	unable to calculate		0.00	not provided	0.00	unable to calculate	
Totals	241,210		241,210			48,739.10		48,739.10		
Carpenter Shop Value Not Sampled									\$0.00	

Paint Shop (No FY10 Data Provided by Facilities)						Paint Shop (No FY10 Data Provided by Facilities)				
Data has been derived by using FY10 Audit Count/Value info and combining with items from Facilities FY09 data	Derived Count (Total)	Sample Items from Facilities Reported Count	Auditors Count (Sample)	Variance Facilities Sample Count Overstated (Understated)	Percentage Facilities Sample Count Overstated (Understated)	Derived Value (Total)	Facilities Value (Sample)	Auditors Value (Sample)	Variance Facilities Sample Value Overstated (Understated)	Percentage Facilities Sample Value Overstated (Understated)
Hardware INCLUDED IN CARPENTER SHOP										
Chemical	331	not provided	331	unable to calculate		1,672.62	not provided	1,672.62	unable to calculate	
Lamps INCLUDED IN CARPENTER SHOP										
Paint	1,275	not provided	1,275	unable to calculate		17,330.90	not provided	17,330.90	unable to calculate	
Wire & Electrical TRANSFERRED TO NORTH TOWER PER NOTE										
Totals	1,606		1,606			19,003.52		19,003.52		
Paint Shop Value Not Sampled									\$0.00	

Health & Human Services (No FY10 Data Provided by Facilities)					Health & Human Services (No FY10 Data Provided by Facilities)					
Data has been derived by using FY10 Audit Count/Value info and combining with items from Facilities FY09 data	Derived Count (Total)	Sample Items from Facilities Reported Count	Auditors Count (Sample)	Variance Facilities Sample Count Overstated (Understated)	Percentage Facilities Sample Count Overstated (Understated)	Derived Value (Total)	Facilities Value (Sample)	Auditors Value (Sample)	Variance Facilities Sample Value Overstated (Understated)	Percentage Facilities Sample Value Overstated (Understated)
Ballast	31	not provided	31	unable to calculate		543.67	Not provided	543.67	unable to calculate	
Bearings	63	not provided	63	unable to calculate		4,639.42	Not provided	4,639.42	unable to calculate	
Belts	163	not provided	163	unable to calculate		1,136.69	Not provided	1,136.69	unable to calculate	
Bulbs	391	not provided	391	unable to calculate		1,818.58	Not provided	1,818.58	unable to calculate	
Chemicals	112	not provided	112	unable to calculate		164.88	Not provided	164.88	unable to calculate	
Electrical circuit breakers	17	not provided	17	unable to calculate		119.71	Not provided	119.71	unable to calculate	
Electrical Parts	1,826	not provided	1,826	unable to calculate		1,926.44	Not provided	1,926.44	unable to calculate	
Electrical Motors	27	not provided	27	unable to calculate		252.09	Not provided	252.09	unable to calculate	
Electrical Plates/Covers	206	not provided	206	unable to calculate		208.33	Not provided	208.33	unable to calculate	
Electrical Wire Mold Parts	0	not provided	0	unable to calculate		0.00	Not provided	0.00	unable to calculate	
Electrical Wiring	291	not provided	291	unable to calculate		181.90	Not provided	181.90	unable to calculate	
Fasteners & Washers	8,049	not provided	8,049	unable to calculate		359.14	Not provided	359.14	unable to calculate	
Filters	442	not provided	442	unable to calculate		1,265.62	Not provided	1,265.62	unable to calculate	
Fuses	57	not provided	57	unable to calculate		178.60	Not provided	178.60	unable to calculate	
Keys	6,751	not provided	6,751	unable to calculate		5,376.36	Not provided	5,376.36	unable to calculate	
Lamps	732	not provided	732	unable to calculate		1,059.05	Not provided	1,059.05	unable to calculate	
Paint	13	not provided	13	unable to calculate		258.00	Not provided	258.00	unable to calculate	
Plumbing	2,366	not provided	2,366	unable to calculate		7,639.03	Not provided	7,639.03	unable to calculate	
Relays	27	not provided	27	unable to calculate		252.09	Not provided	252.09	unable to calculate	
Tile	159	not provided	159	unable to calculate		273.48	Not provided	273.48	unable to calculate	
Wire	14,000	not provided	14,000	unable to calculate		1,123.71	Not provided	1,123.71	unable to calculate	
Totals	35,723		35,723			28,776.79		28,776.79		

HHS Value Not Sampled \$0.00

Grand Totals 743,031 incomplete 422,926 unable to calc unable to calc 900,151.03 incomplete 493,715.47 unable to calc unable to calc  
 Total Value Not Sampled \$148,445.02