

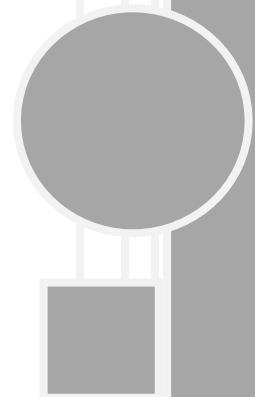


AUDIT REPORT

DALLAS COUNTY

2020 AUTOMOTIVE SERVICE CENTER INVENTORY

Darryl D. Thomas
Dallas County Auditor
ISSUED: October 16, 2020
RELEASED: November 24, 2020



2020 AUTOMOTIVE SERVICE CENTER INVENTORY

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This report is intended for the information and use of the agency/department. While we have reviewed internal controls and financial reports, this review will not necessarily disclose all matters of a material weakness. It is the responsibility of the department to establish and maintain effective internal control over compliance with the requirements of laws, regulations, and contracts applicable to the department



DALLAS COUNTY
COUNTY AUDITOR

MANAGEMENT LETTER

Mr. Christopher Hooper
Director of Consolidated Services
Dallas, Texas

Attached is the County Auditor's final report entitled "**2020 Automotive Service Center Inventory**" Report. In order to reduce paper usage, a hard copy will not be sent through in-house mail except to the auditee.

If you prefer that released reports be emailed to a different (or additional) recipient, please inform me of the name and the change will be made.

Respectfully,

Darryl D. Thomas

Darryl D. Thomas
County Auditor

EXECUTIVE SUMMARY

We did not performed the annual physical inventory of the Dallas County Automotive Service Center (ASC) located at 321 Northgate in Desoto due to work place social distancing mandated by the State of Texas for FY 2020. We solely rely on the department record and physical count to evaluate and report the financial record of Automotive Service Center. ASC is a division of Consolidated Services and currently provides preventative maintenance and repair of approximately 1,549 County vehicles. Priority areas of risk which need consideration by management are:

Summary of Significant Observations

1. Management does not review postings made to FASTER and invoice amount paid to the vendor as a result:
 - One invoice dated 3/04/2020 was paid in the amount of \$3,239.70 for 30 tires, but 35 tires valued \$3,779.65 were recorded to FASTER system.
2. We were unable to verify the five tires were actually delivered by the vendor on 3/04/2020 because we were not provided with the purchase order or other supporting documents by ASC staff.
3. Management does not review, investigate, and document anomalies from FASTER inventory reports, as a result:
 - 68 vehicles had six or more tires issued to the same vehicle during the twelve month period including.
 - 11 vehicles were issued three or more batteries during the period.
 - Errors and duplicate entries were made when posting fuel to Edmonton report.

Repeat observations from Previous Audits:

1. Justification for usage of tries six or more for the same vehicle is not documented.
2. Justification for usage of batteries more than three or more for the same vehicle is not documented

INTRODUCTION

Dallas County Auditor's Office mission is to provide responsible, progressive leadership by accomplishing the following:

- Comply with applicable laws and regulations
- Safeguard and monitor the assets of the County utilizing sound fiscal policies
- Assess risk and establish and administer adequate internal controls
- Accurately record and report financial transactions of the County
- Ensure accurate and timely processing of amounts due to County employees and vendors
- Set an example of honesty, fairness and professionalism for Dallas County government
- Provide services with integrity
- Work in partnership with all departments to resolve all issues of the County
- Strive to utilize the latest efficient and effective technology in the performance of tasks
- Provide technical support and training in the development, implementation, and maintenance of information systems
- Hold ourselves accountable to the citizens of the County at all times
- Be responsive to the elected officials and department heads of Dallas County

The objectives of this audit are to:

1. Ensure compliance with statutory requirements
2. Evaluate internal controls
3. Verification of accuracy and completeness of reporting
4. Review controls over safeguarding of assets

This audit covered the period of October 1, 2019 through August 31, 2020

The audit procedures will include interviews with key process owners, observation of transactions processing, data analysis and sample testing of transactions. The main system used will also be reviewed and incorporated as part of the testing of transactions.

DETAILS

Tire Issued

We reviewed the FASTER Items Issued Report for the period of 8/24/19 to 8/11/20 and identified:

- 68 vehicles had six or more tires issued to the same vehicle during the twelve month period including.
- ASC replaced a total of 1,250 tires during the period, but only 1,175 tires were scrapped and disposed.
- The price per LT245/70R17 tire was recorded to FASTER as \$157.08 instead of \$120.00. **STATUS: As of 9/15/2020 the unit price was updated to \$120.00.**
- ASC overpaid \$0.30 per 205/60R15 tire (invoiced at 72.79, but should be \$72.49 per bid). **STATUS: As of 10/15/2020 a credit was issued by the vendor for overpayment.**
- One invoice dated 3/04/2020 was paid in the amount of \$3,239.70 for 30 tires, but 35 tires valued \$3,779.65 were recorded to FASTER.
 - We were unable to verify how many tires were actually delivered by the vendor on 3/04/2020 and were not provided with the purchase order by ASC.

Per Dallas County Code Sec. 90-373, "All department heads and elected officials are responsible for maintaining property assigned to their department, proper inventory records, and making appropriate reports as required. They are further charged with the responsibility of following this article's provisions as the situation demands." As a best practice management should segregate the duties of authorizing, maintaining custody of assets, record keeping, and reconciling purchases. ASC does not reconcile tires replaced on vehicles to scrap tires. Tire usage and replacement reports are not analyzed. Management does not review postings made to FASTER and a delivery was not agreed to the invoice. The County may miss opportunities to identify vehicles with excessive tire replacements and pin-point the root cause. Inventory valuation in FASTER may be incorrect when prices are not appropriately added and reviewed. Tires ordered may be misappropriated when tires ordered do not agree to scrap tires disposed and picked up by the approved tire vendor.

Recommendation

Tire Issued

Management should make the following corrective actions:

- Periodically review FASTER inventory reports to detect anomalies and excessive use of inventory.
- Reconcile tires issued on vehicles to the number of tires picked up by the scrap tire vendor.
- Document a reason for each tire replacement in FASTER.
- Review inventory quantities and prices posted to FASTER for accuracy and completeness.
- Ensure quantities of deliveries are agreed to the purchase order, packing slip, and

invoice.

- Segregate the duties of authorizing, maintaining custody of assets, record keeping, and reconciling purchases.

Management Action Plan

- Our tire vendor, Blagg Tire, made an error by delivering 35 tires versus the 30 which were originally ordered. An additional invoice was generated to account for the extra tires received. For reference purposes, the original invoice no. is 475536 and the additional invoice no. is 486332.
- Invoices were provided to the Auditor's Office on 9/15/20 as proof of receipt
- The Shop Assistant/Safety Coordinator conducts periodical inventory to ensure accuracy
- ASC Management continues to implement random supervisor/verifications
- ASC has a tire policy not to patch pursuit-rated vehicles nor mix-match sets of tires on the same axle due to safety concerns
- ASC patches great conditioned reusable tires to be placed on non-pursuit vehicles, thus the variance

Auditors Response

None

Battery Usage

We reviewed the FASTER System Parts Received Report between 8/23/19 to 8/11/20 and identified 11 vehicles were issued three or more batteries during the period (eight vehicles received three batteries each, two vehicles received four batteries each, and one vehicle received six batteries). As a best practice, management should periodically review inventory reports to enhance quality control, detect shop and vehicle issues, and identify cost saving opportunities. Management does not review, investigate, and document anomalies from FASTER inventory reports. Assets may be misappropriated, parts may be wasted, and cost saving opportunities may be lost without sufficient review over the inventory usage.

Recommendation

Battery Usage

Management should make the following corrective actions:

- Routinely evaluate inventory usage on assets to detect and investigate excess use.
- Document an explanation for excessive part replacement (parts placed on vehicles over an established threshold during a 12 month period) in FASTER.
- Investigate cost effective remedies to control excessive part replacement.

Management Action Plan

- Due to vehicles with emergency equipment several vehicles will need two batteries
- Several vehicles need 2 or more batteries due to being 1 ton or higher
- Improper daily maintenance of GPS trackers by vehicle operators can cause premature expiration of vehicle battery life
- The Shop assistant/Safety Coordinator will follow bi-monthly periodically inventory and the recommendation will be addressed
- ASC Management will continue implementation of random supervisor/verifications

Auditors Response

None

Fuel Volumes

We reviewed the Edmonton Ledger Report, VeederRoot readings on August 11, 2020, and fuel deliveries invoices between August 23, 2019 and August 11, 2020, and identified:

- The ASC East unleaded fuel balance was understated by 50.63 gallons, totaling \$77.97.
- The ASC Desoto diesel fuel balance was overstated by 88.36 gallons, totaling \$182.91.
- The ASC Desoto unleaded fuel balance was overstated by 437.8 gallons, totaling \$696.10.
- One fuel delivery of 3,987 gallons, totaling \$6,346.91, was duplicated on the Edmonton Report, but not corrected by the department.

According to Dallas County policy Section 90-313(6), "It is the sole responsibility of the elected official/department head to which property is assigned to maintain a proper accounting of all property through proper inventory records." The department does not perform a periodic (monthly) reconciliation of fuel deliveries, fuel consumption, and fuel tank volume readings. Errors and duplicate entries were made when posting fuel to Edmonton. Also, management detected a fuel leak in one of their tanks. As a result, Edmonton ending inventory balances at each location do not agree to volumes reported in each fuel tank.

Recommendation

Fuel Volumes

Management should make the following corrective actions:

- Post the necessary adjustment to Edmonton so that ending fuel balances agree to fuel tank volume readings (VeederRoot readings).
- Ensure fuel deliveries and consumption is accurately posted to Edmonton.
- Periodically (monthly) reconcile Edmonton fuel balances to fuel deliveries, fuel consumption, and fuel tank volume readings.
- Review pump controls that measure fuel usage and examine the fuel storage tanks for possible leakage or water contamination should also be routinely examined.
- Review and sign off on all adjustments to fuel volumes posted to Edmonton, monthly fuel reconciliations, and review Edmonton reports.

Management Action Plan

- All 12 Edmonton Reports for FY2020 were investigated. No evidence of duplications was discovered

Auditors Response

In the FY2019 Audit we reviewed the ASC's fuel activities and the Fuel Master Report (reports generated and provided by ASC) and noticed several inconsistencies. Internal Audit's findings of the FuelMaster Ledger Report led to an examination of the Reports' accuracy with the vendor. On October 23, 2019, the ASC's staff notified Internal Audit to improve the FuelMaster reporting capability they received updated software and developed a spreadsheet to track fuel purchase and entries. ASC management is responsible for the accuracy of the ASC's fuel reporting. We recommend management ensure reconciliation of Edmonton fuel balances to fuel deliveries, fuel consumption, and fuel tank volume readings are regularly performed by ASC.

Physical Count

We reviewed the Automotive Service Center's (ASC) inventory on 08/11/20 and identified an adjustment for (\$23.38) is needed for FASTER to agree to the department's valuation of \$136,916.49. According to Dallas County policy Section 90-313(6), "It is the sole responsibility of the elected official/department head to which property is assigned to maintain a proper accounting of all property through proper inventory records." This occurred because items were not recorded to work orders and the department has not removed two wiper blades in reserve that were canceled. As a result, the FASTER Inventory System is overstated by \$23.38.

Recommendation

Physical Count

Management should immediately post the (\$23.38) adjustment to the FASTER Inventory System.

Management Action Plan

- Our findings conclude this error is a result of an adjustment made in response to the FY2019 audit, where a report other than the Edmonton Report was used resulting in a variance .

Auditors Response

None

cc: Darryl Martin, Commissioners Court Administrator