



# AUDIT REPORT

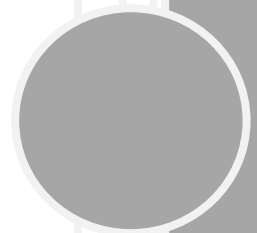
DALLAS COUNTY

Year End Inventory - Facilities - FY2022

Darryl D. Thomas  
Dallas County Auditor

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# Year End Inventory - Facilities - FY2022

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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**  
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**MANAGEMENT LETTER**

Mr. Greg Gray  
Facilities Director  
Dallas, Texas

Attached is the County Auditor's final report entitled "Year End Inventory - Facilities - FY2022" Report. In order to reduce paper usage, a hard copy will not be sent through in house mail except to the auditee.

In 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

During the period of September 6 - 9, 2022 our Internal Audit staff performed a sample physical count of the annual physical inventory of electrical, hardware, 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, Frank Crowley Carpenter Shop and Basement, South Tower Jail, George Allen Courts Building, Health and Human Services Building, Records Building, Administration Building, and West Tower (Quality Assurance and Electrician's Workshop). The attached report represents the unaudited counts provided by the various sections of the Facilities Department. The report is intended for management's use.

### **Summary of Significant Observations**

- Facilities does not have an inventory tracking system. The contract to the WASP system expired in July 2022 and a new system has not been implemented.
- Inventory items were not maintained in such a way as to allow ease in identifying, tracking, and determining item costs. Items in stock are not labeled by name, item number, and lack accurate descriptions

### **Repeat Observations from Previous Audits**

- All observations are repeated from previous audits.

**Only those weaknesses which have come to our attention as a result of the audit have been reported. It is the responsibility of the department management to establish and maintain effective internal control over compliance with the requirement of laws, regulations, and contracts applicable to the department.**

## 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 September 3, 2021 through September 2, 2022. The purpose of the review was limited to a physical inventory count and a review of internal controls

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

**Facilities Inventory**

An Inquiry of the inventory system to facilities management staff revealed the WASP inventory tracking system contract expired in July 2022 without a new inventory system implemented. There is no formal process for maintaining inventory received and disbursed, as well as updating prices for inventory items, and the centralized location (North Tower Supply) maintain manual logs for inventory usage. Due to **not** having an inventory tracking system they are unable to provide real-time account of inventory on hand and reordering supplies appropriately.

Audit staff performed a sample physical inventory count of 10 facility locations and the results revealed all 10 locations provided incomplete inventory counts and item costs. Inventory items were not maintained in such a way as to allow ease in identifying, tracking, and determining item costs. Items in stock are not labeled by name, item numbers, and lack of accurate descriptions.

The sample inventory consisted of approximately 2,637 different items with an estimated pre-obsolete value of \$763,574.45 based on the audit count. A comprehensive summary of inventory counts and values were not updated and reviewed by facilities management. Approximately 526 unique items (quantity of 22,149) were missing unit prices with janitorial, electrical, and plumbing categories accounting for the majority of the missing prices: 436 unique items (quantity of 13,541, 3,248, and 2,637 respectively).

Dallas County Code Sec. 90-373 states that all department heads and elected officials are responsible for maintaining property assigned to their departments and ensuring that the property inventory records are up to date and accurate in all respects. Best practices require separation of duties, documented procedures, and immediate reconciliation and updates for transactions. Inventory control procedures should include periodic inventory counts and timely verification and follow-up on all variances. Inventory should be properly categorized, easily identified, and the department should store minimal inventory levels.

A review of the DC GL Actuals report for fiscal year 2022 revealed Facilities department had purchased \$2,446,622.02 of inventory, however, controls did not exist to prevent or detect risks affecting accuracy, completeness, existence, valuation and presentation of inventory for financial reporting purposes. Due to no inventory tracking system, a lack of trained inventory staff, no formal inventory procedures, and inconsistent management oversight may increase the potential risk of theft, loss or unexpected shortages of critical items. In addition, this may result in unnecessary purchases of items already on hand.

**Recommendation**

Facilities Inventory



- Facilities should implement an electronic inventory tracking system for all locations to capture all inventory items, including special orders, received and requisitioned on a real time basis. An inventory count should be performed when migrating to a new system to ensure new system reflects an accurate inventory count.
- Facilities should assign staff to manage inventory on a full-time basis.
- 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 inventory controls should be developed, updated annually, and implemented for use by properly trained staff at all locations.
- 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.
- 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. Personally 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.
- Facilities should review other inventory tracking options that will better track inventory.

### **Management Action Plan**

- Facilities will research inventory management options that can cover all areas.
- Facilities will continue to assign the duties to the manager and assistant manager at each location. If the Budget Department will provide additional positions to support inventory management at each location, we can assign individuals for the specific purpose of managing remote site inventories.
- Each facility is its own entity so to speak. While we try and standardize many of the upgrades, unless it's a countywide project, we cannot ensure consistency from building to building. Because each of our facilities are different, they each require different, specialized parts, that would overwhelm our Supply Department with regards to storage. The Supply room is just not physically big enough to store all the materials that we need to maintain the facilities effectively and efficiently.
- Each facility has gone through their inventories over the last couple years and removed obsolete items

### **Auditors Response**

- It should be noted that There were some locations Dallas counts that were missing more than just a "handful of items." For example, Frank Crowley Basement count was missing prices on more than 20 items and George Allen (Downtown Complex) was missing 72 prices just in

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the first tab of their counts. The approximately 526 unique items (quantity of 22,149) missing unit prices are not limited to what the different locations in the Facilities Department reported on their counts to the Auditor's Office but, also includes inventory that were physically counted by the audit staff that were not located in the department counts.

cc: Darryl Martin, Commissioners Court Administrator