

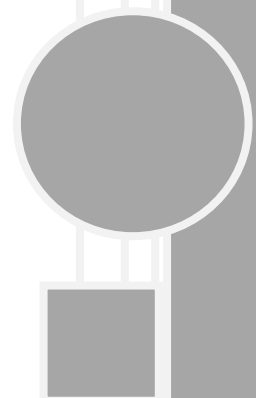


AUDIT REPORT

DALLAS COUNTY

FACILITIES INVENTORY - FY2019

Darryl D. Thomas
Dallas County Auditor
ISSUED: October 03, 2019
RELEASED: November 15, 2019



FACILITIES INVENTORY - FY2019

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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. Greg Gray
Facilities Director
Dallas, Texas

Attached is the County Auditor's final report entitled "**Facilities Inventory - FY2019**" 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,

A handwritten signature in blue ink that reads "Darryl D. Thomas" with a stylized flourish at the end.

Darryl D. Thomas
County Auditor

EXECUTIVE SUMMARY

During the period of September 3-6, 2019, our Internal Audit staff performed a complete (except as noted otherwise) 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 Parking Garage, Administration Building, and West Tower (Quality Assurance and Electrician's Workshop). The department has made marked improvement in preparing obsolete items to be submitted to Surplus and some areas have been organized and labeled. Our specific procedures, findings and recommendations are discussed in the attached report. The report is intended for management's use.

Summary of Significant Observations

- 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.
- With the exception of key stock inventory, the audit staff performed a 100% count of all inventory at the George Allen, Records, Administration, Frank Crowley Basement and South Tower Basement, and West Tower locations as a result of the Facilities staff providing partial or no inventory count.

Repeat observations from Previous Audits:

- All observations are repeated from previous audits.

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 4, 2018 through September 3, 2019. The purpose of the review was limited to a physical inventory count and a review of internal controls.

The audit procedures included interviews with key process owners and a physical inventory count.

DETAILS

Facilities Inventory

With the exception of the North Tower inventory, Frank Crowley Carpenter Shop, and the George Allen and Frank Crowley key stock inventory, the audit staff performed a 100% count of all inventory locations as a result of George Allen, Records, Administration, Frank Crowley Basement, and South Tower Basement providing partial or no inventory count. In addition, West Tower provided an inventory count with no prices for the majority of the inventory. Accurate inventory descriptions, quantities on hand, and item costs were not supplied by Facilities. Inquiry of Facilities staff revealed there was no formal process for maintaining the receipt and usage of inventory items, as well as, updating prices for inventory items.

The inventory consisted of approximately 8,173 different items with an estimated pre-obsolete value of \$835,599.78 based on the audit count. A comprehensive summary of inventory counts and values was not updated and reviewed by Facilities management. Approximately, 2,451 unique items (quantity of 44,221) were missing unit prices with the electrical and plumbing categories accounting for the majority of the missing prices: 1,453 unique items (quantity of 10,203 and 8,053 respectively). Inventory items were not maintained in such a way as to allow ease in identifying, tracking, and determining item costs. At some locations items in stock were not labeled by name or item number, and lack accurate descriptions. Inventory items were ordered and sent directly to remote locations instead of being centrally warehoused at North Tower Supply.

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 2019 revealed Facilities had purchased \$1,594,541.57 of inventory, however, key controls did not exist to prevent or detect risks affecting the accuracy, completeness, existence, valuation and presentation of inventory for financial reporting purposes. Due to the inventory tracking system not being utilized in several areas within the Facilities department, a lack of trained inventory staff, a lack of formal inventory procedures, and a lack of management oversight, increased the risks 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 assign a staff member 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 proper inventory controls should be developed (updated annually) and implemented for use by properly trained staff at

all locations.

- 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. An inventory count should be performed when migrating to a new system to ensure new system reflects an accurate inventory count. The WASP barcode system should include unit price of inventory items.
- 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.
- 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.
- 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.

Management Action Plan

- Facilities will consider assigning a staff member to manage inventory on a full-time basis in the 2021 Budget;
- Obsolete material will be removed via the P280 process;
- Department is researching opportunities to expand "Keep Stock" program and have outside vendor stock and inventory outlying locations. Only minimal supplies will be kept in remote locations.;
- Identify and train specific users in the use of WASP so inventories can be maintained in "real time";
- Managers and internal QA team will conduct random in-house audit of our counted inventory to ensure that actual counts remain consistent with recorded counts. When any deviations are made, they will be promptly noted and corrected

before annual audit;

- Continue to update prices for items on spreadsheet;
- Continue to inventory items and remove obsolete items via P280 as required;
- Every member of department has a unique number that is recorded when inventory is checked out from Facilities Supply. Will incorporate into outlying locations when inventory is removed from local inventory.;
- Department is not in control of procurement cards;
- Department is researching opportunities to expand "Keep Stock" program and have outside vendor stock and inventory outlying locations. Only minimal supplies will be kept in remote locations;
- Electronic files will be incorporated as WASP comes online in remote areas.

Auditors Response

None

cc: Darryl Martin, Commissioners Court Administrator