

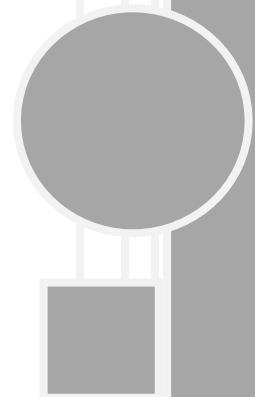


AUDIT REPORT

DALLAS COUNTY

FACILITIES INVENTORY - FY2020

Darryl D. Thomas
Dallas County Auditor
ISSUED: October 05, 2020
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FACILITIES INVENTORY - FY2020

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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 - FY2020**" 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

Due to the health and safety recommendations related to the Covid-19 pandemic, the Auditor's Office did not perform a 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 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

- Due to the limitations of this review, Internal Audit was unable to confirm the continued existence of risks affecting the accuracy, completeness, existence, valuation and presentation of inventory for financial reporting purposes.

Repeat observations from Previous Audits:

- Unit prices not provided for inventory items.
- Items removed from inventory without an associated P280 form.

Only those weaknesses which have come to our attention during the compilation of inventory information 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 4, 2019 through September 3, 2020. Report reflect unaudited inventory counts provided by the Facilities Department.

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

Due to Covid-19, the Auditor's Office did not complete a physical count of the inventory and relied solely on the inventory count provided by the Facilities locations for fiscal year 2020. Inventory information submitted revealed all 10 facilities locations provided an inventory count to the Auditor's office; George Allen and Frank Crowley Basement/ South Tower locations had the largest amount of items without a price associated totaling 797 and 378 respectively; Health and Human Services location provided P280 forms for surplus inventory items; and George Allen removed inventory and did not provide P280 forms to Auditor's office.

The Facilities inventory consisted of approximately 6,686 different items with an estimated pre-obsolete value of \$795,265.68 based on audit count. Approximately, 1,150 unique items (quantity of 14,481) were missing unit prices with the electrical and plumbing categories accounting for the majority of the missing prices: 809 unique items (quantity of 5,571 and 3,744 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 2020 revealed Facilities had purchased \$1,404,328.56 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. Incomplete utilization of the inventory tracking system 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 that inventory may be misappropriated or lost. Additionally, unexpected shortages of critical items or the unnecessary purchases of items already on hand may occur.

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

- All Assistant Managers in their respective work location will act as inventory managers.
- Interns and temporary workers are being considered to conduct an in-depth and accurate count.
- All obsolete material will be constantly reviewed and removed via the P280 process.
- Covid-19 has slowed this process. Department has identified 2 vendors that can expand the "Keep Stock" program and have outside vendor stock and inventory outlying locations. Only minimal supplies will be kept in remote locations. Department will work with Purchasing to determine means to move forward.
- Covid-19 has hampered this exercise due to the fact that we shifted to PPE suppliers for all Dallas County departments.
- Staff will continue to update all inventory in our areas including pricing.
- Identify and train specific users in use of WASP so inventories can be maintained in

“real time”.

- These measures have an assigned completion date of 1 June 2021.
- 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.
- Managers are required to provide monthly inventory status reports to the Assistant Director.
- Continue to update prices for items on spreadsheet.
- Interns and temporary workers are being considered to conduct an in-depth and accurate count.
- Every member of the 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. This will be incorporated into the WASP system as well.
- Department is still not in possession of procurement cards. These are issued by Audit and Purchasing Department. Facilities has requested a procurement card but to date one has not been provided.
- 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. This will allow managers to be able to see inventory of parts in the main warehouse.

Auditors Response

None

cc: Darryl Martin, Commissioners Court Administrator