

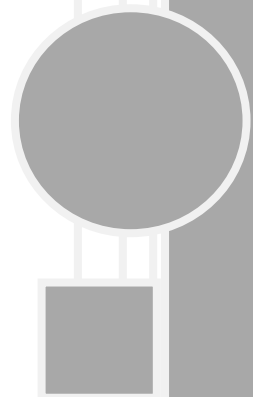


AUDIT REPORT

DALLAS COUNTY

PUBLIC SERVICE INVENTORY - FY2019

Darryl D. Thomas
Dallas County Auditor
ISSUED: September 20, 2019
RELEASED: October 25, 2019



PUBLIC SERVICE 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

Anthony Jackson
Supervisor - Public Service Program
Dallas, Texas

Attached is the County Auditor's final report entitled "**Public Service 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". The signature is fluid and cursive.

Darryl D. Thomas
County Auditor

EXECUTIVE SUMMARY

The Public Service Program was placed under the supervision of the District 3 Commissioner by order of Commissioners Court Order No. 2001-2148. The Public Service Program's principal area of responsibility includes painting. Most painting supplies are charged to Public Service Program Department No. 3330, and specific construction / remodeling projects charges to building improvements.

Summary of Significant Observations

- Accurate inventory descriptions, quantities on hand, and item costs were not supplied by Public Service.
- Public Service does not utilize an inventory system to track incoming/outgoing inventory.
- Public Service management did not perform periodic physical inventory counts

Repeat Observations from Previous Audits:

- All observations related to inventory are repeated.

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

On August 19-20 2019, our Internal Audit staff performed a complete (except as noted otherwise) physical count of the annual physical inventory of hardware, paint, chemicals, electrical and lumber at the Public Service Program located at 2121 Panoramic Circle. Our specific procedures, findings and recommendations are discussed in the attached report. This report is intended for management's informational use.

The audit procedures will include interviews with key process owners, a walk-through of inventory procedures, and a physical count of inventory.

DETAILS

Inventory

Inquiry of Public Service staff and a full physical count of inventory on August 20-21, 2019 revealed inventory consisting of approximately 821 different items with an estimated pre-obsolete value of \$101,728.69 based on audit count; approximately 717 unique items (quantity of 25,152) were missing unit prices including 664 unique electrical category items (quantity of 4,489); Public Service management did not perform periodic physical inventory counts to determine the quantity of inventory in storerooms; and there were no written inventory management policies and procedures.

Audit staff performed a 100% count of Public Service inventory due to the department only providing a partial inventory count. Sampling of inventory was further inhibited due to inventory not being systematically organized in specific bins or shelf locations; inventory descriptions, as well as, quantities on hand were partially provided by the department; items costs were not provided by the department; items in stock were not labeled; and the department did not utilize an inventory system to track incoming/outgoing inventory.

County Code section 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." Specific controls related to inventory indicate that items should be properly labeled with accurate descriptions, additions to and deductions from inventory should be recorded to the inventory records, and periodic physical inventory counts should be performed.

Due to a lack of an inventory management system, limited computer access, and limited employee training, financial records related to inventory were inaccurate/incomplete and may result in undetected losses or misappropriation of inventory, over-purchasing of inventory, or unanticipated shortages of critical items.

Recommendation

Inventory

Management should:

- Establish written inventory policies and procedures to help ensure consistent and accurate inventory records.
- Acquire an inventory system to assist with handling and maintaining inventory items and records. Inventory records should include item name, item number, item description, unit measurement and unit cost.
- Perform periodic inventory counts to ensure that items are categorized and labeled and inventory records are up to date.
- Examine inventory periodically to identify obsolete items to which, obsolete items should be disposed of properly and/or transferred to surplus.

- Organize inventory into specific locations, including labels.
- Provide training to current and new employees.

Management Action Plan

On pricing of items, I was informed that it wasn't necessary, but going forward, pricing and more descriptions will be included for all items. The electrician area was possible off due to the retirement of our electrician after 27 years, a few months prior. Public Service hired a new electrician on 8/6/2019. He was still in the process of learning and inventorying all of the electrical materials. The Public Service program will correct any concerns that your department deems necessary.

Auditors Response

None

cc: Darryl Martin, Commissioners Court Administrator