



AUDIT REPORT

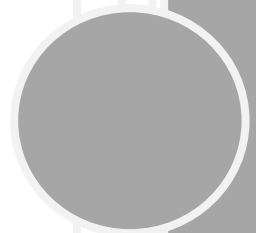
DALLAS COUNTY

FY2022 Supply Room/Postage- Dep of Consolidated Services

Darryl D. Thomas
Dallas County Auditor

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FY2022 Supply Room/Postage- Dep of Consolidated Services

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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 "FY2022 Supply Room/Postage- Dep of Consolidated Services" 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

We have performed the annual physical inventory count and test of financial activities of the Dallas County Supply Department located at the George Allen Sr. Courts building and the Records Center at 2121 French Settlement on August 25, 2022. Priority areas with internal control weaknesses, requiring management's consideration are:

Summary of Significant Observations:

None identified

Repeat observations from Previous Audits:

The Supply Room has no written procedures to maintain accurate inventory records.

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

This audit covered the period of October 1, 2021 through August 31, 2022.



DETAILS

Reports Consistency

The Supply Room department did not consistently provide close out reports to Financial Audit to timely process journal entries for each department's usage of inventory and postage. As of 9/30/2022, the July and August closeout reports were still pending. **Status: On October 6, 2022, the July and August closeout reports were provided, but excluded July Rubber Stamp related data.** According to the management action plan in response to the FY2021 Supply Room Inventory Audit, the mail supervisor will submit close out reports on the first business day of the month (Ex. December 2021 data will be submitted to the Auditor on January 4th 2022 or first business of the month). Procedures were inconsistently followed. As a result of the delay in providing reports, journal entries are still pending and account balances did not reflect current charges for the months of July and August.

Recommendation

Reports Consistency

Management should:

- Submit the remaining July closeout reports to Financial Audit as soon as possible so that the required journal entries can be completed.
- Ensure all future monthly close-out reports are provided consistently on the first business day of the month.

Management Action Plan

- We reviewed the reporting process with the Mailroom Supervision. Following our review, it is our determination that the established procedures and protocols for preparing documentation for monthly reporting was not followed. We have since provided additional training and review of the organizing of documentation and reporting preparedness for timely and accurate information to be submitted to the appropriate audit designees on a monthly basis. We have also established an internal monthly review of all reporting information to ensure reports are complete with all backup documentation..

Auditors Response

- None

Write-off Salvage Inventory

An analysis of historical usage of inventory items for the past five years revealed some items appear to have minimal or no useful value to the County but are still a part of inventory records. These items should have been briefed to Commissioner's Court to be written off and discarded. Some additional items require review by the Supply Room manager to determine if the items are needed by other departments or should be included in the write-off process. According to Local Government Code Chapter §263, Subchapter. D, surplus property is property in excess of needs, but property that still has



some usefulness. Salvage property is defined as property having no value for the purpose for which it was originally purchased. Surplus or salvage property may be sold by competitive bid or may be auctioned. It also may be offered as a trade-in on new property of the same general type. If the commissioners' court cannot sell or trade in the property, the property can be destroyed. Due to the transition to electronic forms being encouraged to discontinue the usage of paper volume county wide, the Supply Room department should have conducted an assessment of salvage items. However the department has no written procedures for the assessment and write-off process for staff to follow. Until salvage items are written-off they will continue to be counted as part of the departments inventory reflecting an inaccurate value of property on hand.

Recommendation

Write-off salvage inventory

Management should:

- Complete the Dallas County process to write off and dispose of salvage items that are currently in the department's inventory.
- Develop written procedures that can help guide staff on how and when to conduct an assessment of salvage inventory and what steps to take to have the items written off and disposed.

Management Action Plan

- Our team is in agreement with the Auditor's findings in that the inventory items identified should be written off. The Consolidated Services Department will follow up with a briefing to the Commissioners Court to be discarded. Regarding other items identified by the Auditor, the Department is in the process of contacting customer departments to verify items that are no longer necessary for customer use. Those items which have been verified null and void will also be briefed to Commissioners Court for disposal.

Auditors Response

- None

Insufficient Documentation- Rubber Stamps

As of August 31, 2022, several transactions involving inter-department charges and payments to the vendor for rubber stamps had missing or incomplete supporting documentation: \$4,159.75 was not charged to departments though amounts were paid to the vendor; \$34.80 was charged to departments without a corresponding vendor invoice; and \$318.00 was charged to departments without payment to the vendor. **Status: On October 19, 2022, \$4,155.50 in distribution of charges was provided to Financial Audit. The remaining charges are being researched by the Supply Room supervisor.** According to the Texas Retention Schedule GR1025-26b and GR1075-03a, accounts payable records, purchase orders, requisitions, and receiving reports should be retained three years after the associated fiscal year end. However, detailed vendor receiving reports which were needed to



match invoice descriptions and totals were discarded resulting in incomplete/inaccurate department and vendor charges and general ledger variances that require correction.

Recommendation

Insufficient documentation- Rubber Stamps

- Management should determine what departments are currently pending charges and provide any invoices that have not been paid to Accounts Payable for processing. All supporting documentation for these transactions should also be provided as soon as possible.
- Management should ensure charges to departments match the payments to the vendor. All documentation required to process payments and distribute charges to departments should be included in the monthly close-out reports. All invoices, distribution of charges, requisitions, and detailed receiving reports should be kept in accordance with applicable retention schedules.

Management Action Plan

- Our team is in agreement with the Auditor's findings. Since the initial report we received from the Auditor's Office, our team has been working with audit staff to provide all required documentation for reconciling rubber stamp orders for FY22. At this time, it is my understanding that the Consolidated Services Department has addressed all outstanding items which have been requested by the Auditor's Office, with exception of the following: 1. Invoice #168775 in the amount of \$4.25 2. Invoice #169806 in the amount of \$845.25 We were unable to reconcile the charges above with the appropriate departments. As a result, Consolidated Services Department elects to absorb these charges in the amount totaling \$849.50. The Consolidated Services Department is dedicated to providing service excellence to its customers as well as transparency within the organization and its constituents through timely and accurate reporting. In an effort to prevent a reoccurrence, regularly scheduled meetings and additional training will take place with additional oversight of the monthly reporting process.

Auditors Response

- None

cc: Darryl Martin, Commissioners Court Administrator