



AUDIT REPORT

DALLAS COUNTY

2019 SUPPLY ROOM & POSTAGE INVENTORY

Darryl D. Thomas
Dallas County Auditor
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2019 SUPPLY ROOM & POSTAGE INVENTORY

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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 "**2019 Supply Room & Postage Inventory**" 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, appearing to read "Darryl D. Thomas".

Darryl D. Thomas
County Auditor

EXECUTIVE SUMMARY

As part of ongoing reviews of county departments and testing year end financials, we have performed the annual physical inventory of the Dallas County Supply Department located at the George Allen Sr. Courts building and the Records Center at 2121 French Settlement on August 30, 2019. **During FY 2019, the Supply Room transitioned from Mainframe Supply Inventory system to a new Web-based inventory system developed by Dallas County IT.**

Summary of Significant Observations:

- There were two boxes under a desk, with a total of 44 unused manual receipt books that were not listed on the Inventory system report. A note on the box stated that they should not be issued and that they were returned to the supply room in 2002
- Supply room staff stated that they do not have written procedures.

Repeat observations from Previous Audits:

N/A

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 October 1, 2018 through August 30, 2019.

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

Updating System Records

On August 30, 2019, a physical inventory count of the Dallas County Supply Room revealed that system records were not maintained accurately to reflect current inventory counts resulting in discrepancies to the General Ledger balance. When comparing system report (DC Supply Stock Status List) to the physical inventory count on hand, audit staff discovered two boxes under a desk, with a total of 44 unused manual receipt books that were not listed on the system report. A note on the box stated that they should not be issued and that they were returned to the supply room in 2002. When Audit staff inquired about the departments written procedures, Supply Room staff stated that they do not have any procedures. Best business practices require that system records be maintained and updated timely and accurately. Proper inventory written procedures should also be in place and followed by staff to provide reasonable assurance of accurate record-keeping. Not updating system records when items are ordered, issued, returned, or written-off can result in inaccurate system reporting and increases the potential for loss to Dallas County. In order to maintain accurately system records, periodic inventory counts should also be performed by the department and **any** variances identified should be reconciled and corrected. Not periodically performing inventory counts and reconciling the variances identified can result in inaccurate inventory records and increase the risk of undetected theft or loss, unexpected shortages of items, and unnecessary purchase of items already on hand.

Recommendation

Updating System Records

Management should:

- Periodically compare system reports to items on hand.
- Maintain and update all system records timely and accurately. Note: any reversal/voided transactions should leave a proper system audit trail.
- Enter the manual receipt (form - 44) to the inventory system to be issued to other departments upon request, or
- Manual receipt books should be properly destroyed in the presence of Internal Audit

Management Action Plan

The two boxes have been approved for destruction. Records Center staff will contact Internal Audit for witnessing the on-site shredding. (See attached Dallas County Record Destruction Notice). On-site shredding will be at the Dallas County Records Center.

Auditors Response

None

cc: Darryl Martin, Commissioners Court Administrator