



DALLAS COUNTY COUNTY AUDITOR

Memorandum

To: Chris Thompson
Director of Communications and Central Services

From: Virginia A. Porter *Virginia A. Porter*
County Auditor

Subject: Fiscal Year 2011 Supply / Postage Inventory Review

Date: Issued: November 10, 2011
Released: December 16, 2011

Scope

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 on August 31, 2011 and the Records Center at 2121 French Settlement on September 2, 2011.

Background

The supply room inventory consists of record storage boxes (located at 2121 French Settlement), toner cartridges, rubber stamps, county binders and forms. The supply department is also in charge of County wide postage purchases and disbursement of postage charges to each department according to their respective use - Supply and Postage are recorded using the consumption method (budget charges tied to usage).

Review Procedures

The physical inventory was taken and data compared to the mainframe supply system balances to determine any shortages or overages related to the perpetual records and physical flow of goods. The extended value of the physical inventory was reconciled to the appropriation ledger as of August 31, 2011 to determine any accounting variances and identify adjustments necessary to budgetary accounts.

Postage meter logs for both Pitney Bowes #1 and Pitney Bowes #2 were reviewed and reconciled to the general ledger as of August 31, 2011.

A partial list of the review tests include:

- verified all records of materials received (RMRs) were properly posted to the mainframe supply system
- verified on a sample basis that requisitions on the storekeeper forms were properly posted to the mainframe supply system
- compared the purchase orders, requisitions, and invoices to supply room records for accuracy of unit prices and quantities
- traced all RFP's for postage purchases and rubber stamps to the General Ledger and identified variances and reconciled to G/L
- traced all departmental charges for postage, rubberstamps and supplies to General Ledger and identified variances and reconciled to G/L

Findings

1. The physical Supply inventory value of \$16,015.39 was \$931.54 over the adjusted Supply Department's computerized system balance of \$15,083.85. A net variance of \$853.17 existed between the physical Supply inventory value and the adjusted General Ledger (GL) balance at August 31, 2011.

Status: A journal has been processed to adjust the General Ledger supply escrow account by \$853.17.

2. Pitney Bowes postage machine #1 was replaced in February 2011. Internet data accumulation issues with account level transaction records for departmental charges occurred for closeouts in March, May, July, August, and September 2011 resulting in \$3,798.69 postage usage that could not be allocated to a specific department's budget. Programming patches applied by Pitney Bowes have not resolved the issue. Pitney Bowes stated no postage dollars were lost or misprinted as a result of the software issue. Pitney Bowes offered a 20% discount off a postage purchase.

Status: A journal has been processed to adjust the General Ledger postage escrow account by \$3,798.69 due to incomplete or missing departmental postage use data.

3. Boxes are stored at the Records storage facility. While an improvement was noted in the preparation of Requisition on Storekeeper forms for boxes used and charged out to various departments, the variance between the physical count and the computerized system balance was still significant.

Recommendations

1. The mainframe supply system balances should be periodically compared to the General Ledger.

The Supply Department should:

- Perform periodic inventory counts during the fiscal year and review all supporting documentation for large dollar items to reconcile differences.
- Verify accuracy of data entry to the mainframe supply system for goods received and issued.
- Process audit adjustments totaling \$931.54 to the mainframe supply system.

Response: Records Management Officer advises "Discussed with the Supervisors. We will follow the recommendation of the Auditor."

2. The Supply Department should take the 20% discount offered by Pitney Bowes. In addition, an alternate postage meter vendor should be identified if Pitney Bowes is unable to resolve the software issue.

Response: Records Management Officer advises "I have been in touch with our Pitney Bowes representatives in regards to the software/accounting issues. I have requested the 20% discount on postage. If the current issues are not resolved, we may need to void the current lease contract. If so, we will go with a different model due to the software issues. Pitney Bowes representatives will be speaking with Margie Luster and meeting with me in December 2011. We will follow the recommendation of the Auditor."

3. Records center staff should submit to the Supply supervisor all Requisition on Storekeeper forms as boxes are issued/used to ensure the inventory count in the mainframe supply system is current and accurate and the user department is appropriately charged.

Response: Records Management Officer advises "Discussed this with Records Center supervisor. Departments requesting large quantities may not pick up boxes immediately after submitting their request. This does create a discrepancy in the count. We will continue to follow the auditor's recommendation."

Summary

This review is intended to support management of this office in evaluating internal controls over inventory records. It is the responsibility of the department to establish and maintain effective internal controls over compliance with the requirements of laws, regulations and contracts applicable to the department. Development of and adherence to a corrective action plan addressing the recommendations should provide for improved departmental processes.