



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 2012 Supply / Postage Inventory Review

Date: Issued: October 5, 2012
Released: November 7, 2012

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 and the Records Center at 2121 French Settlement on August 29, 2012.

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, 2012 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, 2012.

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 \$16,731.84 was \$392.93 under the adjusted (adjusted for items issued, but not charged out to departments) Supply Department's computerized system balance of \$17,124.77. A net variance of \$181.01 existed between the physical Supply inventory value and the adjusted General Ledger (GL) balance at August 31, 2012. Prior year audit adjustments were not recorded to the Supply Department's computerized system.

Status: A journal has been processed to adjust the General Ledger supply escrow account by \$181.01 net.

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 October, November, December, and January 2012 resulting in \$3,261.29 postage usage that could not be allocated to a specific department's budget. Reportedly, Pitney Bowes stated no postage dollars were lost or misprinted as a result of the software issue and a 20% discount off of postage purchases was offered.

Status: A journal has been processed to adjust the General Ledger postage escrow account by \$3,261.29 due to incomplete or missing departmental postage use data.

3. Boxes are stored at the Records storage facility. Reportedly, 3,625 boxes were used to replace damage boxes without completion of Requisition on Storekeeper forms (Costs were not charged out to the various departments as of September 30, 2012). One Requisition on Storekeeper form for 320 boxes requested on June 8, 2012 had not been charged out as of the August 17, 2012 monthly close. The variance between the physical box count and the adjusted Supply Department's computerized system balance was still significant (286 boxes).

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 \$392.93 to the mainframe supply system.

Response: Recommendation will be followed.

2. The Supply Department should have taken the 20% discount offered by Pitney Bowes or requested direct monetary payment.

Response: Records Management Officer met with the Pitney Bowes representative in December 2011. It was agreed if the next system patch did not work, Dallas County would receive the 20% discount and the contract would be reviewed to void the lease. The next patch was set for the first full run in February 2012 and processed without issue. Since the patch was applied, there have been no additional issues.

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. Documentation should be sent via the daily County deliver / pick-up service or faxed to the Lead Supply Department Clerk.

Response: Records Management Officer met with the Records Center Supervisor. Any variation from what is ordered and what is picked-up or delivered will be corrected on the form for accountability. The department will need to make an additional request at a later date. The Records Center staff will document any new box used for "re-boxing" and provided a daily count to the supervisor. The Records Center Supervisor will have documentation of boxes used or requested delivered to the mail/supply clerk each morning. We will follow the 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.

cc. Darryl Martin, Commissioners Court Administrator