



**DALLAS COUNTY**  
**COUNTY AUDITOR**

Memorandum

To: Chris Thompson  
Director of Operations

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

Subject: Fiscal Year 2014 Supply / Postage Inventory Review

Date: Issued: October 13, 2014  
Released: November 19, 2014

**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 27, 2014.

**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 30, 2014 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 29, 2014.

A partial list of the review tests include:

- Traced records of materials received (RMRs) to the mainframe supply system for proper posting
- Traced requisitions on the storekeeper forms to the mainframe supply system for proper posting
- 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 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 \$26,733.47 was \$144.51 over the adjusted (adjusted for items issued, but not charged out to departments and items received, but not recorded to the mainframe supply system prior to August 18, 2014 closeout) Supply Department's computerized system balance of \$26,588.96. However, the adjusted General Ledger (GL) balance was \$3,438.70 under the actual physical inventory value.
2. Boxes are stored at the Records storage facility. The variance between the physical box count and the adjusted Supply Department's computerized system balance was not significant (128 boxes).
3. The monthly postage machine closeouts are completed and reported as the following month rather than the month the actual activity occurs (e.g., July 2014 activity reported as August 2014 activity).
4. Mainframe report R05761 titled 'Dallas County Record of Materials Received' was not provided for multiple months. Available reports reflect an incorrect month as part of heading 'Summary For:' (e.g., report dated February 17, 2014 indicates 'Oct, 2013').
5. Mainframe reports R05758 titled 'Dallas County Supplies Report for Dept' and R05759 titled 'Distribution of Charges As Of:' reflect an incorrect month as part of heading 'Month Of:' (e.g., report dated July 16, 2014 indicates 'Mar, 2014').
6. One out of the twelve monthly 'distribution of charges' reports was not submitted with data combined to another monthly report.

## 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 on all Requisition on Storekeeper forms.
  - Process audit adjustments totaling \$144.51 to the mainframe supply system.

*Response: Recommendations will be followed.*

2. Records center staff should continue submitting 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 Center will follow the recommendations. They will continue work on improving the box issuance report process. The storekeeper requisitions are not charged out until the boxes have been delivered / picked up.*

3. Monthly postage closeout forms and usage dates should correspond to the same month. Documentation should be completed and submitted within a reasonable time for posting usage distribution charges to the General Ledger.

*Response: The auditors require the reports by the 3<sup>rd</sup> Monday of the month. When reporting on the 3<sup>rd</sup> Monday, not all postage charge outs will appear for the month. They are preparing the report the following month to reflect the previous months charge outs.*

4. Dates should be accurately reflected on all monthly mainframe reports. Distribution charges should be processed completely and accurately and submitted within a reasonable time for posting charges to the General Ledger.

***Response:** Staff has contacted IT to make the corrections/updates. Staff will also mark thru incorrect dates and write in the correct dates.*

*For the one distribution report combined to another monthly report, this occurred after the previous employee resigned. With help of the Auditor's staff, the interim supply room lead clerk was able to request and report the month accurately. A new lead clerk was hired and steps have been put in place to avoid incidents like this in the future.*

## **Summary**

This review is intended to support management of this office in evaluating internal controls over inventory records and distribution charges. It is the responsibility of the department to establish and maintain effective internal controls over inventory records and distribution charge procedures and compliance with the requirements of laws, regulations and contracts applicable to the department.

Highest area of risk which needs to be addressed includes: tracking and recording of boxes requisitioned/issued and posting of distribution charges.

Consideration of all issues and weaknesses should be incorporated by the department as a self-assessment tool. Adherence to and follow-through with recommendations should strengthen internal controls and compliance with Dallas County's policies and procedures.

cc. Darryl Martin, Commissioners Court Administrator

2014\_SUPPLY INVENTORY revised

DALLAS COUNTY, TEXAS  
SUPPLY ROOM INVENTORY  
AS OF AUGUST 27, 2014

STOCK #	DESCRIPTION	UOM	QTY ON-HAND @ 8/18/2014	UNIT PRICE \$	\$ EXTENSION	PHYSICAL COUNT: 8/27/14	\$ EXTENSION PER AUDIT COUNT	REQUISITION \$ NOT ENTERED INTO SYSTEM	ITEMS ISSUED AFTER CLOSEOUT \$	RECEIPTS AFTER CLOSE-OUT & INCLUDED IN PHYSICAL COUNT	INVOICE \$	RECOMPUTE D SUPPLY QUANTITY	RECOMPUTE D SUPPLY VALUE	COUNT QTY OVER / (UNDER) RECALC	\$ AMOUNT OVER / (UNDER)	COMMENTS
180	BOX, RECORD STORAGE	EA	3,005	1.40240	\$ 4,214.21	12,163	\$ 17,132.10	800	\$ 1,121.92	9830	\$13,860.30	12,035	\$ 16,952.59	128	\$ 179.51	9830 boxes received after Supply system closed
181	MAP BOXES	EA	42	4.75000	\$ 199.50	41	\$ 184.75		\$ -	0	\$ -	42	\$ 199.50	(1)	\$ (4.75)	
691	BINDER FOR COUNTY PHONE DIRECTOR	EA	719	1.87000	\$ 1,344.53	719	\$ 1,344.53		\$ -	0	\$ -	719	\$ 1,344.53	0	\$ -	
2450	RECEIPT FORMS	CTN	7	48.90670	\$ 342.35	51	\$ 2,552.91		\$ -	44	\$ 2,210.56	51	\$ 2,552.91	0	\$ -	44 packets received after Supply system closed
3175	TONER, HP II, IID, #95A	CTN	4	13.00000	\$ 52.00	4	\$ 52.00		\$ -	0	\$ -	4	\$ 52.00	0	\$ -	
3176	TONER, HP IIP, IIP, #75A	CTN	3	15.37690	\$ 46.14	3	\$ 46.14		\$ -	0	\$ -	3	\$ 46.14	0	\$ -	
3179	TONER, HP4SI #91LL	CTN	6	31.88730	\$ 191.32	6	\$ 191.32		\$ -	0	\$ -	6	\$ 191.32	0	\$ -	
F1	REQUISITION ON PURCHASING DEPT	PKG	194	0.90670	\$ 175.90	194	\$ 175.90		\$ -	0	\$ -	194	\$ 175.90	0	\$ -	
F10	RECORD OF MATERIAL RECEIVED	PKG	346	2.15470	\$ 745.53	346	\$ 745.53		\$ -	0	\$ -	346	\$ 745.53	0	\$ -	
F254	REPORT OF TRAVEL EXPENSES	PAD	1	3.62950	\$ 3.63	1	\$ 3.63		\$ -	0	\$ -	1	\$ 3.63	0	\$ -	
F255	REQUEST FOR PAYMENT	PKG	187	4.69440	\$ 877.85	182	\$ 854.38		\$ -	0	\$ -	187	\$ 877.85	(5)	\$ (23.47)	
F26	MATERIAL RETURN VENDOR	PKG	8	0.61060	\$ 4.88	8	\$ 4.88		\$ -	0	\$ -	8	\$ 4.88	0	\$ -	
F4	REQ ON STOREKEEPER-OFFICE SUPPLI	BK	100	8.11690	\$ 811.69	100	\$ 811.69		\$ -	0	\$ -	100	\$ 811.69	0	\$ -	
F44	RECEIPT BOOK, NUMBERED, LARGE	BK	111	4.94020	\$ 548.36	111	\$ 548.36		\$ -	0	\$ -	111	\$ 548.36	0	\$ -	
F44-A	RECEIPT BOOK, SMALL	BK	88	3.07790	\$ 270.86	87	\$ 267.78		\$ -	0	\$ -	88	\$ 270.86	(1)	\$ (3.08)	
F5	REQ ON STOREKEEPER-JANITOR	BK	43	3.70030	\$ 159.11	42	\$ 155.41		\$ -	0	\$ -	43	\$ 159.11	(1)	\$ (3.70)	
F6-2	COURT ORDER-NEW EMPLOYEES CHANG	BAN	89	0.15050	\$ 13.39	89	\$ 13.39		\$ -	0	\$ -	89	\$ 13.39	0	\$ -	
F6-4	NOTICE EMPLOYEES WARNING	PKG	156	3.70080	\$ 577.32	156	\$ 577.32		\$ -	0	\$ -	156	\$ 577.32	0	\$ -	
F6-5	NOTICE EMPLOYEES SEPARATION	PKG	146	1.87410	\$ 273.62	146	\$ 273.62		\$ -	0	\$ -	146	\$ 273.62	0	\$ -	
F6A	PERSONNEL ACTION	BAN	230	0.16050	\$ 36.92	230	\$ 36.92		\$ -	0	\$ -	230	\$ 36.92	0	\$ -	
F88	SUMMARY OF CASH RECEIPTS	PKG	28	26.81820	\$ 750.91	28	\$ 750.91		\$ -	0	\$ -	28	\$ 750.91	0	\$ -	
	TOTALS >		5,513		\$11,640.02	14,707	\$ 26,733.47	800	\$ 1,121.92	9,874	\$16,070.86	14,587	\$ 26,588.96	120	\$ 144.51	

TRACED TO THE MANUAL COUNT FIGURE

√ Traced to Dallas County Supply Department Stock Status List as of 08/18/2014

⊗ Traced to Requisition on Storekeeper Office Supply Form

≠ Traced to the manual count figure