



DALLAS COUNTY
COUNTY AUDITOR

Memorandum

To: Chris Thompson
Director of Operations

From: Darryl D. Thomas *Darryl D. Thomas*
County Auditor

Subject: Fiscal Year 2015 Supply / Postage Inventory Review

Date: Issued: October 2, 2015
Released: October 26, 2015

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 26, 2015.

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, 2015 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, 2015.

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 \$19,348.72 was \$213.94 short 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, 2015 closeout) Supply Department's computerized system balance of \$19,562.66. However, the adjusted General Ledger (GL) balance was \$241.07 over 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 (176 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 2015 activity reported as August 2015 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 July 15, 2015 indicates 'Mar, 2015').
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 August 18, 2015 indicates 'Apr, 2015').

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 \$213.94 to the mainframe supply system.

Response: Recommendations will be followed as noted above.

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 and continue to improve the box issuance report process.

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 3rd Monday of the month. When reporting on the 3rd 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: Agree. Staff will contact IT Services to make the corrections/update. Staff will also mark thru the incorrect date and write in the correct dates.

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

DALLAS COUNTY, TEXAS
 SUPPLY ROOM INVENTORY
 AS OF AUGUST 26, 2015

STOCK#	DESCRIPTION	UOM	QTY ON-HAND @ 8/18/2015	UNIT PRICE \$	\$ EXTENSION	PHYSICAL COUNT: 8/26/2015	\$ EXTENSION PER AUDIT COUNT	REQUISITIONS NOT ENTERED INTO SYSTEM	ITEMS ISSUED AFTER CLOSEOUT \$	RECEIPTS AFTER CLOSE-OUT & INCLUDED IN PHYSICAL COUNT	INVOICE \$	RECOMPUTED SUPPLY QUANTITY	RECOMPUTED SUPPLY VALUE	COUNT QTY OVER / (UNDER) RECALC	\$ AMOUNT OVER / (UNDER)
180	BOX, RECORD STORAGE	EA	9,905	1.41000	\$ 13,966.05	7,250	\$ 10,222.50	2,480	\$ 3,496.80	0	\$ -	7,425	\$ 10,469.25	(175)	\$ (246.75)
181	MAP BOXES	EA	42	4.75001	\$ 199.50	41	\$ 194.75	0	\$ -	0	\$ -	42	\$ 199.50	(1)	\$ (4.75)
691	BINDER FOR COUNTY PHONE DIRECTORY	EA	719	1.87000	\$ 1,344.53	719	\$ 1,344.53	0	\$ -	0	\$ -	719	\$ 1,344.53	0	\$ -
2450	RECEIPT FORMS	CTN	15	50.05700	\$ 750.86	15	\$ 750.86	0	\$ -	0	\$ -	15	\$ 750.86	0	\$ -
3175	TONER, HP II, IID, #95A	CTN	4	13.00000	\$ 52.00	4	\$ 52.00	0	\$ -	0	\$ -	4	\$ 52.00	0	\$ -
3176	TONER, HP IIP, IIP, #75A	CTN	3	15.37890	\$ 46.14	3	\$ 46.14	0	\$ -	0	\$ -	3	\$ 46.14	0	\$ -
3179	TONER, HP4SI #931L	CTN	6	31.88730	\$ 191.32	6	\$ 191.32	0	\$ -	0	\$ -	6	\$ 191.32	0	\$ -
F1	REQUISITION ON PURCHASING DEPT	PKG	194	0.90670	\$ 175.90	194	\$ 175.90	0	\$ -	0	\$ -	194	\$ 175.90	0	\$ -
F10	RECORD OF MATERIAL RECEIVED	PKG	346	2.15470	\$ 745.53	346	\$ 745.53	0	\$ -	0	\$ -	346	\$ 745.53	0	\$ -
F254	REPORT OF TRAVEL EXPENSES	PAD	1	3.62850	\$ 3.63	1	\$ 3.63	0	\$ -	0	\$ -	1	\$ 3.63	0	\$ -
F255	REQUEST FOR PAYMENT	PKG	157	4.69440	\$ 737.02	165	\$ 774.58	0	\$ -	0	\$ -	157	\$ 737.02	8	\$ 37.56
F26	MATERIAL RETURN VENDOR	PKG	8	0.61060	\$ 4.88	8	\$ 4.88	0	\$ -	0	\$ -	8	\$ 4.88	0	\$ -
F4	REQ ON STOREKEEPER-OFFICE SUPPLIES	BK	62	8.11690	\$ 503.25	62	\$ 503.25	0	\$ -	0	\$ -	62	\$ 503.25	0	\$ -
F44	RECEIPT BOOK, NUMBERED, LARGE	BK	196	8.59050	\$ 1,683.74	186	\$ 1,597.83	10	\$ 85.91	0	\$ -	186	\$ 1,597.83	0	\$ -
F44-A	RECEIPT BOOK, SMALL	BK	188	5.00450	\$ 940.85	188	\$ 940.85	0	\$ -	0	\$ -	188	\$ 940.85	0	\$ -
F5	REQ ON STOREKEEPER-JANITOR	BK	40	3.70030	\$ 148.01	40	\$ 148.01	0	\$ -	0	\$ -	40	\$ 148.01	0	\$ -
F6-2	COURT ORDER-NEW EMPLOY/POSN CHANGES	BAN	89	0.15050	\$ 13.39	89	\$ 13.39	0	\$ -	0	\$ -	89	\$ 13.39	0	\$ -
F6-4	NOTICE EMPLOYEES WARNING	PKG	156	3.70080	\$ 577.32	156	\$ 577.32	0	\$ -	0	\$ -	156	\$ 577.32	0	\$ -
F6-5	NOTICE EMPLOYEES SEPARATION	PKG	146	1.87410	\$ 273.62	146	\$ 273.62	0	\$ -	0	\$ -	146	\$ 273.62	0	\$ -
F6A	PERSONNEL ACTION	BAN	230	0.16050	\$ 36.92	230	\$ 36.92	0	\$ -	0	\$ -	230	\$ 36.92	0	\$ -
F98	SUMMARY OF CASH RECEIPTS	PKG	28	26.81820	\$ 750.91	28	\$ 750.91	0	\$ -	0	\$ -	28	\$ 750.91	0	\$ -
	TOTALS >		12,535		\$ 23,145.37	9,877	\$ 19,348.72	2,490	\$ 3,582.71	0	\$ -	10,045	\$ 19,562.66	(168)	\$ (213.94)