



DALLAS COUNTY COUNTY AUDITOR

Memorandum

To: Donna Billman
Director of Consolidated Services

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

Subject: Fiscal Year 2016 Supply / Postage Inventory Review

Date: Issued: October 10, 2016
Released: December 14, 2016

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, 2016.

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, 2016 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, 2016.

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 \$23,524.37 was \$679.18 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 17, 2016 closeout) Supply Department's computerized system balance of \$24,203.55. However, the adjusted General Ledger (GL) balance was \$427.13 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 (45 boxes).
3. Binders for county phone directory are stored at the Records storage facility and Dallas County Supply Department in George Allen Sr. Courts building. The variance between the physical box count and the adjusted Supply Department's computerized system balance was significant (459 binders)
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, 2016 indicates 'Mar, 2016').
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, 2016 indicates 'Apr, 2016').

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 \$679.18 to the mainframe supply system.

Response: Adjustment has been made. Staff will follow recommendation.

2. Records center staff should continue submitting all Requisition on Storekeeper forms as boxes and binders 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: Staff will follow recommendation.

3. 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 will work with IT to have corrected.

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.

Priority area of risk which needs to be addressed includes: tracking and recording of boxes and binders 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 improve internal controls and compliance with Dallas County's policies and procedures.

cc. Darryl Martin, Commissioners Court Administrator