



# DALLAS COUNTY COUNTY AUDITOR

## Memorandum

To: Donna Billman  
Director of Consolidated Services

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

Subject: Fiscal Year 2017 Supply / Postage Inventory Review

Date: Issued: *October 4, 2017*  
Released: *November 2, 2017*

### **Scope**

As part of ongoing reviews of county departments and testing of 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 25, 2017.

### **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, 2017 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, 2017.

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 \$19,565.02 was less than a dollar short of the adjusted (adjusted for items issued, but not charged out to departments and items received and not recorded to the mainframe supply system prior to August 17, 2017 closeout) Supply Department's computerized system balance of \$19,565.66. The General Ledger (GL) balance was adjusted by \$23.89 to the actual physical inventory value. However, unused or obsolete items such as old binder and loose paper are still on the shelf and included in the Supply Room Inventory record.
2. Mainframe report R05761 titled 'Dallas County Record of Materials Received' reflect an incorrect month as part of heading 'Summary For:' (e.g., report dated January 17, 2017 indicates 'OCT, 2016').
3. 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 16, 2017 indicates 'JUN, 2017').
4. For the month of August, the Pitney Bowes Account Summary Report did not reflect the correct total postage amount charged for the month. The usage amount should be \$6,433.30 more than the report total. Supply room staff determined that the system did not keep a record of what was charged to each department on for postage for one day. **Status:** a revised report with correct information was re-submitted to Internal Audit and Financial Audit on 09/27/2017.

## Recommendations

1. The mainframe supply system balances should be periodically compared to the General Ledger. The Supply Department should:
  - Verify accuracy of data on all Requisition on Storekeeper forms.
  - Disposed unused or obsolete items from shelf and update inventory record.

**Management Response:** *Recommendations will be followed: A) Verify accuracy of all data on all Storekeeper Requisitions*

2. Records center staff should continue submitting all Requisitions 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.

**Management Response:** *Recommendation will be followed: A) Supply Room will send another request to IT to have the date corrected. Until that time, the date will be marked through and the correct date will be written in.*

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.

**Management Response:** *Recommendation will be followed: A) Supply Room will send another request to IT to have the date corrected. Until that time, the date will be marked through and the correct date will be written in.*

4. Supply Department should continue to review the Pitney Bowes Account Summary Report and compare the usage to the meter registers to ensure all usage charges were correctly recorded by the system.

**Management Response:** *Recommendation will be followed: A) Supply Room will send another request to IT to have the date corrected. Until that time, the date will be marked through and the correct date will be written in.*

## 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.

A 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