AUDIT REPORT

DALLAS COUNTY

FY2023 DEPT OF CONSOLIDATED SERVICES - SUPPLY ROOM/POSTAGE

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Interim County Auditor

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FY2023 Dept of Consolidated Services - Supply Room/Postage

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This report is intended for the information and use of the agency/department. While we have reviewed internal controls and financial reports, this review will not necessarily disclose all matters of a material weakness. It is the responsibility of the department to establish and maintain effective internal control over compliance with the requirements of laws, regulations, and contracts applicable to the department.

DALLAS COUNTY
COUNTY AUDITOR

MANAGEMENT LETTER

Christopher Hooper
Director of Consolidated Services
Dallas, Texas

Attached is the County Auditor's final report entitled "**FY2023 Dept of Consolidated Services - Supply Room/Postage**" Report. In order to reduce paper usage, a hard copy will not be sent through in-house mail except to the auditee.

If you prefer that released reports be emailed to a different (or additional) recipient, please inform me of the name and the change will be made.

Respectfully,

Wendwessen Stefanos

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EXECUTIVE SUMMARY

We completed the yearly physical inventory count and review of financial activity of the Dallas County Supply Department located at the George Allen Sr. Courts building and the Records Center at 2121 French Settlement on August 23, 2023.

Summary of Significant Observations:

- None

Repeat observations from Previous Audits:

- The Supply Room does not have written procedures for maintaining accurate inventory records. This lack of controls and policies can lead to inaccurate financial records and ineffective inventory management.

Only those weaknesses which have come to our attention as a result of the audit have been reported. It is the responsibility of the department management to establish and maintain effective internal control over compliance with the requirement of laws, regulations, and contracts applicable to the department.

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INTRODUCTION

Dallas County Auditor's Office mission is to provide responsible, progressive leadership by accomplishing the following:

- Comply with applicable laws and regulations.
- Safeguard and monitor the assets of the County utilizing sound fiscal policies.
- Assess risk and establish and administer adequate internal controls.
- Accurately record and report financial transactions of the County
- Ensure accurate and timely processing of amounts due to County employees and vendors.
- Set an example of honesty, fairness, and professionalism for Dallas County government.
- Provide services with integrity.
- Work in partnership with all departments to resolve all issues of the County.
- Strive to utilize the latest efficient and effective technology in the performance of tasks.
- Provide technical support and training in the development, implementation, and maintenance of information systems.
- Hold ourselves accountable to the citizens of the County at all times.
- Be responsive to the elected officials and department heads of Dallas County.

The objectives of this audit are to:

1. Ensure compliance with statutory requirements
2. Evaluate internal controls
3. Verification of accuracy and completeness of reporting
4. Review controls over safeguarding of assets

This audit covered the period of October 1, 2022 through August 31, 2023.

The audit procedures will include interviews with key process owners, observation of transactions processing, data analysis and sample testing of transactions. The main system used will also be reviewed and incorporated as part of the testing of transactions.

DETAILS

Unused/Obsolete Inventory

Criteria

Per Dallas County Code Sec. 98-118 when the legal retention period has expired for records, a record destruction notice form no. RM-04 must be completed and approved by the department head prior to destruction.

Dallas County's current operating procedures encourage the use of electronic forms instead of paper forms.

Review

After examining the usage of inventory items over the past five years, it was identified:

- Six items including five form books with a total count of 493, have little to no value to the County and are still listed in inventory records. This resulted in an inaccurate value of the property on hand.
- One item in the inventory system does not have a specified count.
- The department has no written procedures related to the assessment and write-off process for obsolete inventory.

Cause/Effect

Lack of written procedures has resulted in the department retaining obsolescent inventory. Until these items are written off, they will continue to be included in the department's inventory, resulting in an inaccurate value of the property at hand.

Recommendation
Unused/Obsolete Inventory

Management should take the following corrective actions:

- Conduct an assessment of inventory items to determine departmental needs.
- Complete the process to dispose of obsolete inventory after approval by Commissioners Court.
- Develop written procedures to guide staff on salvage inventory assessment, disposal, and write-offs.
- Regularly review and follow the disposal process for obsolete inventory.

Management Action Plan

Prior to the initial audit identifying obsolete materials, the Mail Operations team was unaware of the county procedure for disposing of the identified obsolete materials as this had not been performed since 2018. Since that time, the department has experienced a change in leadership in both the Mail Operations Division and the department head.

In October of 2023, we partnered with the Auditor's Office, who provided our team with previous documentation used for disposal of said inventory. We will be utilizing this method moving forward prior to the next scheduled Supply Room audit and document the process in written format for an established SOP.

Auditor's Response

- None

Inventory Count

Criteria

Dallas County Code Sec. 90-373 states that all department heads and elected officials are responsible for maintaining property assigned to their department and ensuring that the property inventory records are up to date and accurate in all respects.

Review

An inventory count of 12 total items was conducted on August 23, 2023. The following items were identified:

- The Supply Department's system balance of $35,070.47 was overstated by a net amount of $608.20 as follows:
    - $769.16 overstatement was attributable to four requisitions for 287 record storage boxes that were not entered into the system.
    - $160.97 understatement was attributable to four inventory items that did not agree with system records.

        Overstatement

        - 64 record storage boxes valued at $171.52.
        - 7 request for payment forms valued at $32.86.

Understatement

- 5 requisition on storekeeper- office supplies valued at $29.16.
- 3 map boxes valued at $14.25.

Status: On September 29, 2023, the four requisitions were entered into the system more than 39 days after the requisition date.

Cause/Effect

A lack of adequate controls, policies, and procedures can lead to inaccurate financial records and ineffective inventory management. This may result in unexpected inventory shortages and the purchase of unnecessary items.

Recommendation

Inventory Count

Management should take the following corrective actions:

- Ensure property inventory records are accurate and up-to-date per Dallas County Code Sec. 90-373.
- Maintain accurate system records, perform periodic inventory counts, and promptly reconcile any variances identified.
- Establish procedures to ensure accurate inventory recordkeeping.

Management Action Plan

The Mail Operations team works in collaboration with the Records Management team to distribute boxes to Dallas County customers. We experienced a miscommunication issue between the distribution locations resulting in a discrepancy. This issue was later resolved.

All other charges were absorbed by the Consolidated Services department. The department will work continuously to maintain accurate system records and perform periodic inventory counts, reconciling variances identified. The department will establish written procedures to ensure accurate inventory recordkeeping.

Auditor's Response

- None

Inventory Levels

Criteria

Per standard internal control procedures, the reorder point in the Supply Department's Stock Status Report should be used to set all inventory items. The reorder point should be updated as needed based on usage. Establishing a reorder point system is a standard practice for implementing internal controls to prevent inventory shortages. In this system, a predetermined amount is established for each inventory item, and managers are required to place orders for more items when the stock level falls below this amount.

Review

A review of all five inventory items, except for the seven recommended write-offs, was conducted. The following were identified:

Two items for which the department did not maintain adequate inventory levels, as follows:

- F44 Large Receipt Book: The quantity reached zero in December 2022. The reorder point of 45 was reached in August 2022 but the department did not reorder.

  Status: On March 1, 2023, 200 receipt books were added to the system as materials received.

- In April 2023, the Records Storage Box (S000000180) inventory dropped below the reorder point of 5,775 and remained below for four months.

  Status: On August 22, 2023, 10,000 boxes were added to the system as materials received.

Cause/Effect

The Supply Department's insufficient inventory controls caused the stock items to drop below the reorder point or down to zero. Forecasting and planning should be conducted to reevaluate the reorder point for increased demand to prevent disruptions to department operations due to insufficient inventory.

Recommendation
Inventory Levels

Management should take the following corrective actions:

- Periodically reassess the reorder point of items in order to meet demand.
- Update the system if changes to the reorder point are needed.
- Ensure to replenish inventory as soon as the reorder point has been reached.

Management Action Plan

The Mail Operations team will periodically reassess the reorder point of items in order to meet demand and update the system as required. A written SOP for this process will be submitted to Internal Audit for documentation purposes.

Auditor's Response

- None

cc: Darryl Martin, Commissioners Court Administrator