



AUDIT REPORT

DALLAS COUNTY

AUTOMOBILE SERVICE CENTER INVENTORY - FY2023

Wendwessen Stefanos, CPA

Interim County Auditor/First Assistant

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Automobile Service Center Inventory - FY2023

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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 "**Automobile Service Center Inventory - FY2023**" 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

Wendwessen Stefanos, CPA
Interim County Auditor/First Assistant

EXECUTIVE SUMMARY

We performed a reconciliation of the Dallas County Automotive Service Center's (ASC) fuel usage and delivery for August 24, 2022 through August 21, 2023. In addition, we reviewed the battery and tire usage, NAPA contract, Edmonton Ledger Report, work order process and validation of parts and inventory as of August 21, 2023. ASC is a division of Consolidated Services and currently provides preventative maintenance and repair for approximately 1,800 County vehicles.

Summary of Significant Observations:

- **Fuel Delivery and Usage Reconciliation:**

The ASC East unleaded fuel balance in Fuel Master was overstated by 1,456.86 gallons, totaling \$3,988.27 due to inaccurate or delayed postings.

The ASC Desoto unleaded fuel balance in Fuel Master was understated by 86,826.82 gallons, totaling \$240,634.23 and the diesel fuel balance was understated by 9,832.79 gallons, totaling \$35,242.26 due to inaccurate or delayed postings.

Prior years' fuel adjustments totaling 126,250 gallons were not posted and fuel usage from ASC pumps and deliveries posted to Fuel Master are not reviewed by management for accuracy and completeness.

- **Tire Usage:**

Thirty-nine vehicles had six or more tires issued to the same vehicle during the audit period.

Repeat observations from Previous Audits:

- **Fuel Delivery and Usage Reconciliation:**

Errors were made when posting fuel to the Edmonton report. Additionally, ASC East unleaded fuel delivery invoices were paid, but not posted to Fuel Master.

- **Battery and Tire Usage:**

Management does not review postings made to FASTER and invoice amounts paid to the vendor.

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.

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 August 24, 2022 through August 21, 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

Tire Usage

Per Dallas County Code Sec. 90-373, "All department heads and elected officials are responsible for maintaining property assigned to their department, proper inventory records, and making appropriate reports as required. They are further charged with the responsibility of following this article's provisions as the situation demands."

Standard internal control procedures require that management segregate the duties of authorizing, maintaining custody of assets, record keeping, and reconciling purchases.

A review of all tires issued from the FASTER Items Issued Report for the period of August 24, 2022 to August 21, 2023, revealed:

- 39 vehicles had six or more tires issued to the same vehicle during the 12-month period.
 - Total tire replacement cost for these vehicles was \$46,989.59.
 - This included one vehicle with 14 tire issuances recorded.

A lack of management review of tire usage, replacement reports, and postings made to FASTER has resulted in missed opportunities to determine the root cause for vehicles with excessive tire replacements.

Recommendation

Tire Usage

Management should:

- Periodically review FASTER inventory reports to detect anomalies and excessive use of inventory.
- Document a reason for each tire replacement in FASTER.
- Segregate the duties of authorizing, maintaining custody of assets, record keeping, and reconciling purchases.

Management Action Plan

Management knows exactly how many tires are used through a NAPA report (monthly). It is not \$46,989.59. It is an annual total of 937 tires at \$191,213.75. FASTER is a work order tool primarily and secondarily a reporting tool. FASTER is not an inventory tool, NAPA IBS is. The root cause is not in question by Fleet Operations.

Auditor's Response

The tire costs of \$46,989.59 represent a subset of 39 vehicles which each have six or more tire replacements within a 12-month period. This information was obtained from the FASTER work



order tool. Management response did not address the root cause for the frequency of tire replacements on these vehicles.

Battery Usage

Per Dallas County Code Sec. 90-373, "All department heads and elected officials are responsible for maintaining property assigned to their department, proper inventory records, and making appropriate reports as required. They are further charged with the responsibility of following this article's provisions as the situation demands."

Standard internal control procedures require that management segregate the duties of authorizing, maintaining custody of assets, record keeping, and reconciling purchases.

A review of all batteries issued from the FASTER Items Issued Report for the period of August 24, 2022 to August 21, 2023, revealed:

- 21 vehicles were issued three or more batteries during the 12-month period.
- Management does not review, investigate, and document anomalies from FASTER inventory reports.

Due to a lack of supervisory review related to inventory usage, assets may be misappropriated; parts may be wasted; and cost saving opportunities may be lost.

Recommendation

Battery Usage

Management should:

- Routinely evaluate inventory usage to detect and investigate excessive use.
- Document an explanation for excessive part replacement (parts placed on vehicles over an established threshold during a 12-month period) in FASTER.
- Investigate cost effective remedies to control excessive part replacement.

Management Action Plan

Battery usage is evaluated routinely. Twenty-one vehicles being issued three or more batteries during a 12-month period is normal and not an excessive number. Many of these vehicles have two or more batteries per vehicle. Law enforcement use is excessive by the nature of their duty/use. Tahoe's and interceptors use two batteries per vehicle. Medium-duty and heavy-duty trucks and buses have two batteries. Many RV's have 2-4 batteries.

Fleet has changed to a more expensive better-quality battery that will not have a core charge replacement that will make overall use cheaper. Hopefully, this will result in less R&R time which includes electrical testing/diagnostics to make certain the battery is the issue. Battery inventory is evaluated monthly by management through NAPA reporting on usage, which is also



charged to work orders. Our annual battery use was 332 at a cost of \$40,341. All three points of the "Management Recommendations" have been followed for battery usage.

Auditor's Response

Fuel Delivery and Usage Reconciliation

Per Dallas County Code Sec. 90-373, "All department heads and elected officials are responsible for maintaining property assigned to their department, proper inventory records, and making appropriate reports as required. They are further charged with the responsibility of following this article's provisions as the situation demands."

A review of the Fuel Master Edmonton Ledger Report, the Veeder Root readings on August 24, 2022 (beginning volumes) and August 21, 2023 (ending volumes), and all fuel delivery invoices between August 24, 2022 and August 21, 2023 revealed:

ASC East and Desoto

- The department does not perform a periodic (monthly) reconciliation of fuel deliveries, fuel consumption, and fuel tank volume (Veeder Root) readings to detect errors.
- Department personnel records fuel deliveries and usage to the Fuel Master system without management oversight.

ASC East

- The unleaded fuel balance in Fuel Master was overstated by 1,456.86 gallons, totaling \$3,988.27.
 - The ending unleaded Veeder Root reading on August 21, 2023 was 11,299 gallons while the balance per Fuel Master was 12,755.86 gallons.
 - One fuel delivery invoice totaling 5,917 gallons was paid, but not posted to Fuel Master.

Status: The missing fuel delivery invoice was uploaded to Faster on September 27, 2023.

ASC Desoto

- The unleaded fuel balance was understated by 86,826.82 gallons, totaling \$240,634.23 and the diesel fuel balance was understated by 9,832.79 gallons, totaling \$35,242.26.
 - The ending unleaded Veeder Root reading on August 21, 2023 was 14,229.10 gallons while the balance per Fuel Master was (72,597.71) gallons.
 - The ending diesel Veeder Root reading on August 21, 2023 was 4,302.20 gallons while the balance per Fuel Master was (5,530.59) gallons.



Lack of monthly reconciliations to track fuel volumes in Fuel Master resulted in the department not utilizing the full capabilities of the software to manage fuel. In addition, a lack of management oversight increases the risk of further errors and omissions.

Recommendation

Fuel Delivery and Usage Reconciliation

Management should:

- Post the necessary adjustments to Fuel Master so that ending fuel balances agree to Veeder Root fuel tank volume readings.
- Ensure fuel deliveries and usage are accurately posted to Fuel Master.
- Reconcile the Fuel Master ledger report fuel balances to fuel deliveries, fuel usage, and fuel tank Veeder Root readings monthly.
- Review pump controls that measure fuel usage and examine the fuel storage tanks for possible leakage or water contamination.

Management Action Plan

In response to the management recommendations, all bullet points are addressed by fleet operations personnel. Understatements are high for the relatively low volume amount of total fuel deliveries. Fuel deliveries are reconciled, but delivery tickets are not posted until matched with the invoice, which may not be available until a week or more later. Posting is adjusted to the best ability of fleet personnel at the time and is partially the reason for understatements. Errors are corrected as best we can and is a large part of daily work with Fuel Master. Daily, weekly, and monthly reports, deliveries, usage, and measurements are posted. These issues will continue as long as personnel leave ASC or until fuel is automated.

Auditor's Response

cc: Darryl Martin, Commissioners Court Administrator