

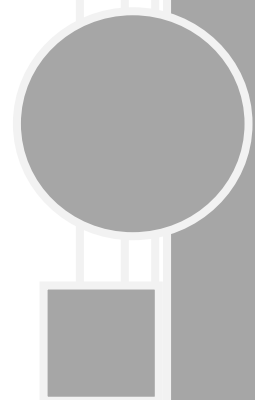


AUDIT REPORT

DALLAS COUNTY

FACILITIES INVENTORY - FY2018

Darryl D. Thomas
Dallas County Auditor
ISSUED: November 14, 2018
RELEASED: December 28, 2018



FACILITIES INVENTORY - FY2018

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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

Greg Gray
Interim Facilities Director
Dallas, Texas

Attached is the County Auditor's final report entitled "**Facilities Inventory - FY2018**" 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,

A handwritten signature in blue ink, reading "Darryl D. Thomas".

Darryl D. Thomas
County Auditor

EXECUTIVE SUMMARY

During the period of September 4-12, 2018, our Internal Audit staff performed a complete (except as noted otherwise) physical count of the annual physical inventory of electrical, hardware, fasteners, plumbing, pipe, paint, refrigerant, tile, filters, chemicals, keys, lumber, belts, and janitorial supplies at the Facilities Management sections of the North Tower-Lew Sterrett Jail, Frank Crowley Carpenter Shop and Basement, South Tower Jail, George Allen Courts Building, Health and Human Services Building, Records Building Parking Garage, Administration Building, Quality Assurance, and Electrician's Workshop. The scope of the inventory count was increased due to continued procedural deficiencies regarding controls and lack of inventory review by Facilities. Our specific procedures, findings and recommendations are discussed in the attached report. The report is intended for management's use.

Summary of Significant Observations

- Inventory items were not maintained in such a way as to allow ease in identifying, tracking, and determining item costs. Items in stock are not labeled by name, item number, and lack accurate descriptions.
- With the exception of key stock inventory, the audit staff performed a 100% count of all inventory at the George Allen, Records, Administration, Frank Crowley Basement and South Tower Basement, Quality Assurance, and Electrician's Workshop locations as a result of the Facilities staff providing partial or no inventory count.

Repeat observations from Previous Audits:

- All observations are repeated from previous audits.

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 September 12, 2017 through September 3, 2018. The purpose of the review was limited to a physical inventory count and a review of internal controls.

The audit procedures included interviews with key process owners and a physical inventory count.

DETAILS

Inventory Summary

With the exception of the North Tower inventory and the George Allen and Frank Crowley key stock inventory, the audit staff performed a 100% count of all inventory locations as a result of George Allen, Records, Administration, Frank Crowley Basement and South Tower Basement, Quality Assurance, and Electrician's Workshop providing partial or no inventory count. In addition, HHS provided no prices for the majority of the inventory counted. Accurate inventory descriptions, quantities on hand, and item costs were not supplied by Facilities. Inquiry of Facilities staff revealed there was no formal process for maintaining the receipt and usage of inventory items, as well as updating prices for inventory items.

The inventory consisted of approximately 9,207 different items with an estimated pre-obsolete value of \$964,707.95 based on the audit count. A comprehensive summary of inventory counts and values was not being updated and reviewed by Facilities management. Approximately, 3,321 unique items (quantity of 56,964.75) were missing unit prices with the electrical and plumbing categories accounting for the majority of the missing prices: 2,043 unique items (quantity of 15,649 and 16,040, respectively). Inventory items were not maintained in such a way as to allow ease in identifying, tracking, and determining item costs. Items in stock are not labeled by name, item number, and lack accurate descriptions. Inventory items were ordered and sent directly to remote locations instead of being centrally warehoused at North Tower Supply.

Dallas County Code Sec. 90-373 states that all department heads and elected officials are responsible for maintaining property assigned to their departments and ensuring that the property inventory records are up to date and accurate in all respects. Best practices require separation of duties, documented procedures, and immediate reconciliation and updates for transactions. Inventory control procedures should include periodic inventory counts and timely verification and follow-up on all variances. Inventory should be properly categorized, easily identified, and the department should store minimal inventory levels.

A review of the DC GL Actuals report for Fiscal Year 2018 revealed Facilities had purchased \$228,373.86 of inventory, however, key controls did not exist to prevent or detect risks affecting the accuracy, completeness, existence, valuation and presentation of inventory for financial reporting purposes. Due to the inventory tracking system not being utilized in several areas within the Facilities department, a lack of trained inventory staff, a lack of formal inventory procedures, and a lack of management oversight, there were increased risks of theft or loss and unexpected shortages of critical items. In addition, this may result in unnecessary purchases of items already on hand. For example, during our review of inventory we identified a number of locations where there was a large stock of inventory items (see attached). These items were not included in the central inventory figures. We included these items in our physical count, but by not including these items in inventory Facilities runs the risk of making unnecessary purchases of items already on hand or possible inventory shrinkage through theft or loss.

Recommendation

Inventory Summary

- Inventory should be maintained at an adequately safeguarded centralized location under the control of a supply inventory clerk. Remote sites should have limited quantities of inventory items on hand, be adequately safeguarded with limited access, and require supporting documentation to justify replenishment from the

centralized location. Written procedures for proper inventory controls should be developed (updated annually) and implemented for use by properly trained staff at all locations.

- Migration of inventory tracking to the WASP barcode system should be completed and expanded to include inventories for all locations to capture all inventory items, including special orders, received and requisitioned on a real time basis. An inventory count should be performed when migrating to a new system to ensure new system reflects an accurate inventory count. The WASP barcode system should include unit price of inventory items.
- Facilities Management should perform periodic inventory counts during the fiscal year, updating inventory records for all locations with current unit prices and quantities on hand. Inventory items at all locations should be examined periodically to identify obsolete items. Obsolete items should be transferred to surplus and sold at County auction.
- Inventory records should be established and recorded timely and accurately for all locations. Management should consider implementing the use of procurement cards and order items only as needed to effectively utilize county resources. Personnel obtaining supplies should be required to sign a pre-numbered Record of Material Issued Form. All photocopy forms received by email or fax from departments should be recorded on a pre-numbered Record of Material Issued Form.
- Inventory items should be maintained at the lowest quantities needed to efficiently support County operations. Supervisors approving requisitions should be aware of current inventories on hand for all locations. An electronic inventory file should be periodically updated to a network drive accessible by each supervisor.

Management Action Plan

All of the 10 locations audited every year will be set up as sites in WASP system and inventory recorded on a monthly basis. A Facilities Inventory Specialist is overseeing the implementation of the WASP system in all 10 locations. All sites will be set up, inventory on hand counted, prices and quantities updated. First review will be done by the end of February once protocol has been established. Management will assign a specific person

per location to enter inventory on a monthly basis to the WASP system. This person will only have access to add, remove, and create new items with current prices and quantities. A monthly review of inventory will be conducted and a report generated for management. Obsolete items will be removed from locations. Once the WASP system has been fully implemented and utilized, personnel will be able to look at the inventory counts and decide whether items are needed or not. Supervisors entering requisitions will review WASP system before requesting material.

Auditors Response

None

cc: Darryl Martin, Commissioners Court Administrator