AUDIT REPORT

DALLAS COUNTY

PUBLIC SERVICE INVENTORY - FY2020

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Dallas County Auditor

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PUBLIC SERVICE INVENTORY - FY2020

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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

Mr. Anthony Jackson
Supervisor - Public Service Program
Dallas, Texas

Attached is the County Auditor's final report entitled "**Public Service Inventory - FY2020**" 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,

Darryl D. Thomas
County Auditor

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EXECUTIVE SUMMARY

The Public Service Program was placed under the supervision of the District 3 Commissioner by order of Commissioners Court Order No. 2001-2148. The Public Service Program's principal area of responsibility includes painting. Most painting supplies are charged to Public Service Program Department No. 3330, and specific construction / remodeling projects charges to building improvements.

Summary of Significant Observations

- Accurate inventory descriptions, quantities on hand, and item costs were not supplied by Public Service.
- Public Service does not utilize an inventory system to track incoming/outgoing inventory.
- Public Service management did not perform periodic physical inventory counts

Repeat Observations from Previous Audits:

- All observations related to inventory are repeated.

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

On August 21, 2020, our Internal Audit staff performed a complete (except as noted otherwise) physical count of the annual physical inventory of hardware, paint, chemicals, electrical and lumber at the Public Service Program located at 2121 Panoramic Circle. Our specific procedures, findings and recommendations are discussed in the attached report. This report is intended for management's informational use.

The audit procedures will include interviews with key process owners, a walk-through of inventory procedures, and a sample physical count of inventory.

DETAILS

Inventory

Review and observation of Public Service inventory procedures revealed Public Service inventory consisted of approximately 641 different items with an estimated pre-obsolete value of $87,110.13 and approximately 204 unique items (quantity of 16,951) were missing unit prices including 80 unique electrical items (quantity of 14,461). Additionally, Public Service management did not perform periodic physical inventory counts to determine the quantity of inventory in storerooms and there were no written inventory management policies and procedures.

A sample physical count of inventory performed on August 21, 2020 identified a quantity variance compared to the Public Service count (3,111 items instead of 2,720 items): the audit sample count for construction items including electrical was 2,232 compared the Public Service count of 1,853 and the audit sample count for the Paint Shop was 879 items compared to the Public Service count was 867. Additionally, sampling of inventory was inhibited due to inventory not being systematically organized in specific bins or shelf locations; inventory descriptions, as well as, quantities on hand were partially provided by the department; items costs/prices were not provided by the department; items in stock were not labeled; and the department did not utilize an inventory system to track incoming/outgoing inventory.

Per Dallas County Code 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. Specific controls related to inventory indicate that items should be properly labeled with accurate descriptions, additions to and deductions from inventory should be recorded to the inventory records, periodic physical inventory counts should be performed, and obsolete inventory should be properly disposed.

Lack of an inventory management system combined with limited computer access, employee training and management oversight resulted in inaccurate/incomplete financial records and may result in undetected losses or misappropriation of inventory, over-purchasing of inventory, or unanticipated shortages of critical items.

Recommendation

Inventory

Management should:

- Establish written inventory policies and procedures to help ensure consistent and accurate inventory records.
- Acquire an inventory system to assist with handling and maintaining inventory items and records. Inventory records should include item name, item number, item description, unit measurement and unit cost.
- Perform periodic inventory counts to ensure that items are categorized and labeled and inventory records are up to date.
- Examine inventory periodically to identify obsolete items to which should be

disposed of properly and/or transferred to surplus.

- Organize inventory into specific locations that include labels.
- Provide training to current and new employees.

Management Action Plan

We have implemented a log in and log out form for our paint supplies. We will have documentation of everything coming in and everything going out. Periodic physical inventory counts will be performed.

Auditors Response

None

cc: Darryl Martin, Commissioners Court Administrator