AUDIT REPORT

DALLAS COUNTY

Public Service Inventory - FY2021

Darryl D. Thomas
Dallas County Auditor

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Public Service Inventory - FY2021

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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

Anthony Jackson
Supervisor - Public Service Program
Dallas, Texas

Attached is the County Auditor's final report entitled "Public Service Inventory - FY2021" Report. In order to reduce paper usage, a hard copy will not be sent through in house mail except to the auditee.

In 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
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.

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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

On August 30, 2021, 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 physical count of inventory.

DETAILS

Inventory Count

Inquiry of Public Service personnel and a physical count of inventory performed August 30, 2021 revealed Public Service inventory consisted of approximately 389 unique items with an estimated pre-obsolete value of $43,848.22; approximately 115 unique items (quantity of 15,834) were missing unit prices including 94 unique paint items (quantity of 1,085); 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.

Additionally, an overall quantity variance compared to the Public Service count (20,813 items instead of 19,804 items) was identified. Inventory was not systematically organized in specific bins or shelf locations; items in stock were not labeled; descriptions, as well as, quantities on hand were partially provided by the department; and inventory items purchased with department funds were not distinguishable from those purchased using other department funds or obtained from Facilities. Inventory prices were not provided except for items purchased this year and the department did not utilize an inventory system to track incoming/outgoing inventory. The electrical room was empty because all electrical inventory items were sent to surplus on August 20, 2021.

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, items purchased with other funds or obtained from another department should be noted and distinguish from department's own inventory, 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

Recommendation

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, as well as, noting if item was purchased by another department funds or obtain from facilities.
- Provide training to current and new employees.

Management Action Plan

- Public Service Program will strive to ensure to be better organized with labeling, providing descriptions of quantity and costs/prices for both shops. Constructing an inventory management policies and procedures and ensuring all items are accounted for. Making the appropriate reports as required, recording any changes.
- We will electronically and/or paper trail keeping an updated visual on projects from other departments and any leftover items to the construction shop. Labeling left overs with the PO number and from which department items were received. And/or surplus items no longer needed once projects are completed. Continuing gathering inventory from paint shop as the sheets that are submitted as well as orders that were made displaying their costs/prices for the products in the paint shop.
- Public Service program will collect inventory counts of storerooms and analyze production of inventory of missing unit prices for all shops forthcoming. Looking into providing training on performing an inventory system efficiently via computer for a different perspective. Verifying, monitoring, and assuring productivity is polished.

Auditors Response

- None

cc: Darryl Martin, Commissioners Court Administrator