AUDIT REPORT

DALLAS COUNTY

Year End Inventory - Public Service - FY2022

Darryl D. Thomas
Dallas County Auditor

ISSUED: 9/14/2022
RELEASED: OCTOBER 24, 2022

Year End Inventory - Public Service - FY2022

TABLE OF CONTENTS

MANAGEMENT LETTER 3

EXECUTIVE SUMMARY 4

INTRODUCTION 5

DETAILS 6

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

Honorable Commissioner John Wiley Price
Dallas County Commissioner, District 3
Dallas, Texas

Attached is the County Auditor's final report entitled "Year End Inventory - Public Service - FY2022" 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

500 Elm Street, Suite 4200 Dallas, Texas 75202 TEL: 214-653-6472
FAX: 214-653-6440

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

- 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.

500 Elm Street, Suite 4200 Dallas, Texas 75202 TEL: 214-653-6472
FAX: 214-653-6440

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 22, 2022, 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

Public Service Inventory Count

A review of Public Service walkthrough and a physical count of inventory performed August 22, 2022 revealed Public Service inventory consisted of approximately 337 unique items with an estimated pre-obsolete value of $23,701.57; approximately, the paint category had 105 unique items (quantity of 755) were missing unit prices; Public Service management did not perform periodic physical inventory counts; and there were no written inventory management policies and procedures.

Additionally, an overall quantity variance compared to the Public Service count (10,177 items instead of 3,458 items) was identified. Limited inventory count was provided by department for construction section due to items being purchased with other department funds; inventory prices were not provided for older items, except for items purchased from January 2021 to August 2022; limited inventory items were labeled and/or organized in specific bins or shelf locations, and the department does 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, 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

Public Service Inventory Count

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 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 an item was purchased by another department funds or obtained from facilities.

Management Action Plan

- Public Service Program currently keeps a written record of all paint supplies that leaves 2121 Panoramic paint shop.
- We are currently awaiting a response from the IT department, requesting a scanner that several Dallas County departments have implemented.
- This scanner I'm advised will record all invoices of items purchased by the Dallas County Public Service Program.
- We will make sure moving forward that all items have prices attached. Also, we provided any and all information that was requested by your team.

Auditors Response

- None

cc: Darryl Martin, Commissioners Court Administrator