

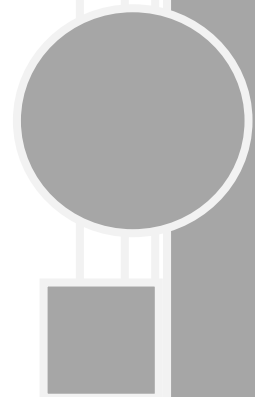


# AUDIT REPORT

DALLAS COUNTY

FY 2018 SUPPLY/ POSTAGE INVENTORY

Darryl D. Thomas  
Dallas County Auditor  
ISSUED: October 04, 2018  
RELEASED: November 14, 2018



# FY 2018 SUPPLY/ POSTAGE INVENTORY

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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**

Donna Billman  
Director of Consolidated Services  
Dallas, Texas

Attached is the County Auditor's final report entitled "**FY 2018 Supply/ Postage Inventory**" 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 that reads "Darryl D. Thomas". The signature is fluid and cursive.

Darryl D. Thomas  
County Auditor

## **EXECUTIVE SUMMARY**

As part of ongoing reviews of county departments and testing year end financials, we have performed the annual physical inventory of the Dallas County Supply Department located at the George Allen Sr. Courts building and the Records Center at 2121 French Settlement on August 30, 2018.

### **Summary of Significant Observations:**

- Obsolete items written-off per Commissioners Court Order were not removed from the system.
- Counted items were not listed on the system report.
- An item was removed from the Supply room area without it being issued to a department in the system.

### **Repeat observations 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 October 1, 2017 through August 31, 2018.

Review procedures included but were not limited to:

- Perform physical count
- Compare unit prices per inventory spreadsheet to price lists and invoices
- Review revenue and expense amounts per GL
- Document inventory control and billing/receivable procedures

## **DETAILS**

### **Updating System Records**

On August 30, 2018, a physical inventory count of Dallas County Supply Room revealed that Mainframe system records were not maintained accurately to reflect current inventory counts resulting in discrepancies to the General Ledger balance. When comparing system report (DC Supply Stock Status List) to the physical inventory count on hand, the following was discovered: obsolete items written-off per Commissioners Court Order were not removed from the system, counted items were not listed on the system report and an item was removed from the Supply room area without it being issued to a department in the system. Best business practices require that system records be maintained and updated timely and accurately. Proper inventory control procedures should also be in place and followed by staff to provide reasonable assurance of accurate record-keeping. Not updating system records when items are ordered, issued or written-off can result in inaccurate system reporting and increases the potential for loss to Dallas County. In order to maintain accurate system records, periodic inventory counts should also be performed by the department and any variances identified should be reconciled and corrected. Not periodically performing inventory counts and reconciling the variances identified can result in inaccurate inventory records and increase the risk of undetected theft or loss, unexpected shortages of items, and unnecessary purchase of items already on hand.

### **Recommendation**

#### **Updating System Records**

The Supply Department should:

- Periodically compare mainframe report to the General Ledger and item on hand.
- Maintain and update all system records timely and accurately.
- Dispose unused or obsolete items from shelf and update inventory records.

### **Management Action Plan**

For obsolete items, a Court order was provided to Audit on the day of audit. Future notification and disposal will be prior to audit. Department will follow the recommendation. Items not listed were from paper ordered in error by Purchasing. Mailroom/Records Analyst were working with Purchasing to distribute the boxes to departments upon request. Purchasing will be sending a broadcast message for the remaining boxes. Any box not claimed will be delivered to Purchasing for future distribution. Department will follow the recommendation, items will not be kept without updating the General Ledger. Monthly inventory checks will be conducted. The item that was removed from the Supply Room area without it being issued to a department in the system was provided to a vendor for duplicating (print job). The item was not returned. The item has been charged off to Records Management. Department will follow the recommendation and items will not be kept without updating the General Ledger. Monthly inventory checks will be conducted.

**Auditors Response**

None

cc: Darryl Martin, Commissioners Court Administrator