



AUDIT REPORT

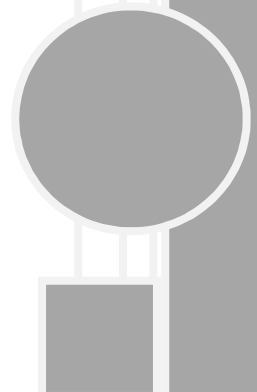
DALLAS COUNTY

Road & Bridge District #3 Inventory - FY2021

Darryl D. Thomas
Dallas County Auditor

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Road & Bridge District #3 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

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

Attached is the County Auditor's final report entitled "Road & Bridge District #3 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

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County Auditor

EXECUTIVE SUMMARY

The District 3 Road & Bridge Service Center is located at 1506 E Langdon Rd, Dallas, Texas 75241. Principal areas of responsibility include maintenance and repair of Dallas County's roads and bridges. During fiscal year 2018, District 3 was responsible for 101.787 road miles in addition to 5.398 road miles maintained on behalf of District 2, excluding the miles maintained under contract with other municipalities. Management of Road and Bridge 3 is overseen by Commissioner John Wiley Price. Staff consists of two administrative assistants, a road superintendent, and an office manager.

Due to the health and safety recommendations related to the Covid-19 pandemic, the Auditor's Office did not perform a physical count of the inventory of Dallas County Road and Bridge District No. 3's storeroom supplies, fuel and lube, and road materials. The attached report represents the unaudited counts provided by Road & Bridge 3 personnel. This report is intended for the information and use of management. A summary of significant observations is listed below:

Summary of Significant Observations

- None identified

Repeat Observations from Previous Audits

- All findings 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

This audit covered the period of August 16, 2020 through August 15, 2021. Report reflects unaudited inventory counts provided Road & Bridge 3.

The attached report represents the unaudited counts provided by Road & Bridge 3.



DETAILS

Diesel Tickets Review

A review of the monthly report for diesel fuel tickets issued August 14, 2020 through August 13, 2021 revealed 52 tickets were issued out of numerical sequence and three tickets issued were not included on the daily diesel report. **Status:** Usage of 38.4 gallons was verified and the reports updated by the Shop Coordinator. Additionally, the usage of one ticket number was duplicated on two separate pieces of equipment: one for usage of 20 gallons and one for usage of 37 gallons. **Status:** Reports have been corrected by the department and updates forwarded to Financial Audit, Accountant I.

Best practices require separation of duties, documented procedures, and immediate reconciliation and updates for transactions. Operational practices and review steps relevant to inventory should include procedural controls that provide reasonable assurance of accurate record-keeping for diesel fuel purchases and usage. Manual fuel tickets should be issued in numerical order and usage reports should completely account for all ticket used. Clerical errors and inconsistent record keeping have resulted in inaccurate/incomplete financial records.

Recommendation

Diesel Tickets Review

Management should:

- Establish written inventory procedures and train staff on issuing manual fuel tickets in the ticket number and date order.
- Periodically review manual fuel tickets to ensure all tickets are accounted for and issued in numerical sequence.
- Perform a review of the daily fuel report sheets to minimize and/or eliminate ticket number errors recorded.
- Pursue implementation of the Fuelman Card system to replace manual fuel tickets. Meanwhile, consider developing a systemic process of issuing diesel tickets in sequential order and proper maintenance of fuel ticket issuance books so that all tickets will be accounted for and properly listed.

Management Action Plan

- We agree that Road and Bridge District #3 Department needs a computerized inventory tracking system to record all our work orders, supplies, fuel, etc.
- First, we have begun the process of implementing a suitable type of computerized fuel system. This would eliminate our current ticket books paper system. This change will help us to void books



used out of sequence. In our current audit, one book of 50 tickets was used out of order allowing our department to be cited for 52 tickets out of place. That problem would be solved.

- Secondly, we are adding an accountant. This will allow us to reduce clerical errors and perform regular audits to assist with our internal auditing, record keeping, and inventory records.
- We are actively pursuing a data entry system/software for work orders, fuel, and the many inventory supplies needed for our operation. If we are successful, we can advance our department's efforts to reducing human error, which will save money and time, while, maintaining detailed accurate information.
- This action plan is very closely aligned with the recommendations set forth by your staff. With your support, we will seek the funding to achieve these set approved goals of computerizing our fuel, inventory, and work order system.
- We are in an agreement with you that our department would be benefitted by moving from our current paper system to a computerized system

Auditors Response

- None

Diesel Daily Fuel Reports

A review of the Daily Diesel Usage reports compared to the diesel stock cards revealed three entries were recorded to the diesel stock cards for a different amount than on the usage reports resulting in an overstatement of 33 gallons. **Status:** Reports have been corrected by the department and updates forwarded to Financial Audit, Accountant I.

Best practices require separation of duties, documented procedures, and immediate reconciliation and updates for transactions. Inventory control procedures should include timely verification and follow-up on all variances. Inventory records should be updated timely and accurately. Operational practices and review steps relevant to inventory should include procedural controls that provide reasonable assurance of accurate record-keeping for inventory purchases and usage. Written procedures for proper inventory controls should be developed and implemented. Lack of supervisory review of reported diesel use amounts recorded on stock cards and clerical input error has resulted in inaccurate records and increased the potential for loss or misuse.

Recommendation

Diesel Daily Fuel Reports
Management should:



- Establish written inventory procedures that detail the recording and reporting of usages and purchases.
- Perform a final review of the daily fuel sheets and monthly diesel reports prior to submitting the records to Financial Audit.
- Consider implementing a computerized inventory tracking system.

Management Action Plan

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Auditors Response

- None

Battery Review

A review of the battery purchases and work orders for the audit period revealed the inventory carrying value on stock card 32568 was understated by \$153.86 due to the department recording the price for only one battery instead of three batteries purchased and two entries recorded to the stock card for the issuance of battery item 32567 do not agree to the issuance quantity on the work orders.



Best practices require separation of duties, documented procedures, and immediate reconciliation and updates for transactions. Operational practices and review steps relevant to inventory should include procedural controls that provide reasonable assurance of accurate record-keeping for inventory purchases and usage. Periodic inventory counts should be performed during the fiscal year to update inventory records for all stock card items with current unit prices and quantities on hand. Similar inventory possessing characteristics that distinguish the items as having a differing functions (i.e. straight, left-sided) and costs should be recorded on separate stock cards.

Lack of supervisory review of store cards entries, need for financial record verifications against invoices and work order, and data entry errors have resulted in inaccurate financial records due to inventory items being recorded for incorrect amounts which could result in inventory overstock or shortages.

Recommendation

Battery Review

Management should:

- Establish written inventory procedures that include:
 - Performing periodic inventory reviews to identify variances between inventory records and inventory on hand with supervisory review evidenced by initials or signature.
 - Making inventory adjustments or corrections that are properly documented and referenced.
- Train staff on established inventory procedures and on how to properly identify amounts that should be included in the inventory item's cost.

Management Action Plan

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Auditors Response

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cc: Darryl Martin, Commissioners Court Administrator