

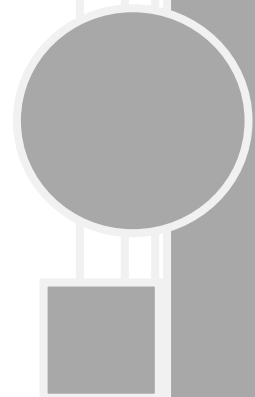


AUDIT REPORT

DALLAS COUNTY

ROAD & BRIDGE DISTRICT #4 INVENTORY - FY2019

Darryl D. Thomas
Dallas County Auditor
ISSUED: September 09, 2019
RELEASED: September 20, 2019



ROAD & BRIDGE DISTRICT #4 INVENTORY - FY2019

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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 Elba Garcia, DDS
District 4 Commissioner
Dallas, Texas

Attached is the County Auditor's final report entitled "**Road & Bridge District #4 Inventory - FY2019**" 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, reading "Darryl D. Thomas".

Darryl D. Thomas
County Auditor

EXECUTIVE SUMMARY

On August 13, 2019, a physical inventory of Dallas County Road and Bridge District No. 4's storeroom supplies, fuel and lube, and road materials was performed. The purpose of the review was limited to reconciliation of precinct records to the auditor's physical count and the general ledger. 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:

- Fuel usage variances between the Fuel Usage Reports, meter readings, and department stock cards

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 15, 2018 through August 16, 2019. The purpose of the review was limited to reconciliation of precinct records to a physical inventory count and the official general ledger. Other procedures for testing internal control and any findings are reported separately.

The audit procedures will include interviews with key process owners and a physical inventory count.

DETAILS

Battery Review

A review of the battery stock card inventory purchases and issuances revealed two battery stock card entries did not include the \$3 battery fee in the total purchase costs and one battery costing \$64.41 was not recorded on the stock card. 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 differing functions (i.e. straight, left-sided) and costs should be recorded on separate stock cards. Inconsistent supervisory review and clerical errors have resulted in inaccurate inventory records, which could result in inventory overstocks or shortages and increased the potential that the misappropriation of assets could occur undetected.

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. Supervisory review should be evidenced by initials or signature.
- Timely stock cards updates for issuances based on the checkout logs.
- Making inventory adjustments or corrections that are properly documented and referenced.

Management Action Plan

- Review all invoices to ensure that they are accurately recorded;
- Make inventory adjustments or corrections that are properly documented and referenced.

Auditors Response

None

Inventory Summary Variances

The District 4 Road & Bridge Service Center is located at 4403 West Illinois Avenue, Dallas, Texas 75211. Principal areas of responsibility include maintenance and repair of Dallas County roads and bridges, as well as, those of other municipalities that have maintenance contracts with Dallas County. During fiscal year 2018, District 4 was responsible for maintaining 0.495 road miles, excluding the miles maintained under

contract with other municipalities. Management of Road and Bridge 4 is overseen by Commissioner Elba Garcia. Staff includes two administrative assistants, a road superintendent and an office manager.

On August 13, 2019, a physical inventory of Dallas County Road and Bridge District No. 4's storeroom supplies, fuel and lube, and road materials was performed. Inventory stock cards recorded an inventory amount of \$33,693.08 compared to audit's physical count of \$33,664.54 for a net an immaterial variance of \$28.54. Additionally, quantities for five items counted differed from the stock card quantity.

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. 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. A formal process should be used to periodically identify and remove obsolete products; these items should be transferred to surplus and removed from the stock cards. The lack of a perpetual inventory system and clerical errors has resulted in inaccurate/incomplete inventory records.

Recommendation

Inventory Summary Variances

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.
- Pursue a computerized inventory system.

Management Action Plan

- Perform periodic inventory reviews to identify variances between inventory records and inventory on hand;
- Make inventory adjustments or corrections that are properly documented and referenced.

Auditors Response

None

Diesel Inventory

A review of diesel stock cards, monthly fuel reports, and daily reports for the audit period revealed stock card entries recorded for diesel had a net variance 16 gallons compared to the daily diesel pump meter readings and Stock card entries recorded for diesel had a net variance 14 gallons compared to the Diesel and Fuel Daily Usage Reports. 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. A lack of consistent review and clerical errors related to record keeping and reporting for diesel fuel resulted in inaccurate and incomplete diesel fuel usage reports.

Recommendation

Diesel Inventory

Management should:

- Perform a review of the daily fuel sheets and stock cards to minimize and/or eliminate recording errors
- Consider developing a systematic process of maintaining diesel and fuel records that includes a comparison of daily usages and meter readings

Management Action Plan

- The diesel inventory is tracked by three different measuring methods, Veeder Root, Phoenix, and a meter reader. Veeder Root tracks diesel volume on hand through a fuel tank float device. Phoenix tracks diesel usage as it is dispensed through a hose meter device and a meter reader is a mechanical device that tracks total volume as it is dispensed. Due to the different tracking methods in place, there is always a variance in the diesel inventory amount. This variance is adjusted monthly. Road and Bridge 4 will pursue a singular method of reporting diesel inventory that is acceptable by the Auditor's Office and Road and Bridge 4.

Auditors Response

None

cc: Darryl Martin, Commissioners Court Administrator