



DALLAS COUNTY
COUNTY AUDITOR

Memorandum

To: Honorable Dr. Elba Garcia
Commissioner - Road & Bridge District No.4

From: Darryl D. Thomas
Dallas County Auditor

A handwritten signature in blue ink that reads "Darryl D. Thomas".

Subject: Road & Bridge District No. 4
Inventory Report

Date: Issued: September 30, 2016
Released: December 14, 2016

On August 16, 2016, our Internal Audit staff performed the annual physical inventory at Road & Bridge District No. 4.

Our specific procedures, findings and recommendations are listed in the attached report. Controls over inventory appear effective and no material findings were noted during the annual review. The report is intended for information and the use of management. We believe that enhanced record keeping procedures will allow for more effective operation and control of the inventory.

We appreciate the level of courtesy and cooperation extended during our review.

Attachments

DALLAS COUNTY, TEXAS – COUNTY AUDITORS OFFICE
ROAD AND BRIDGE DISTRICT #4 INVENTORY REPORT
SEPTEMBER 2016

Scope

A physical inventory of Dallas County Road and Bridge District No. 4's storeroom supplies, fuel and lube, and road materials was performed on August 16, 2016. The purpose of the review was limited to reconciliation of precinct records to physical count and the official general ledger. Other procedures for testing internal control and any findings are reported separately. The District #4 Service Center is located at 4403 West Illinois, Dallas, Texas 75211.

Background

Principal areas of responsibility include maintenance and repair of Dallas County's roads and bridges and those of other municipalities that have maintenance contracts with the County. Management consists of one commissioner, two administrative assistants, a road superintendent and an office manager. District #4 was responsible for .495 road miles during FY16.

Procedures

Procedures included but were not limited to:

- Generating an annual inventory list and count form
- Reviewing the storekeeper's stock cards, purchases, issues and ending balances for each item
- Physically counting items and recording any discovery items
- Measuring the stockpile of road materials
- Measuring fuel stock by reading meters or using yard stick. Fuel tickets are filled out each time fuel is issued to a vehicle. The stock card is then updated based on the fuel tickets completed.
- Comparing the physical count to the perpetual inventory balance and resolving any discrepancies
- Listing any items issued during the inventory that were not posted to the storekeeper's stock cards.
- Tracing selected purchases to stock cards.
- Comparing total amount of selected inventory purchases per stock cards to the general ledger.
- Testing selected tire and battery purchases and usage tickets by tracing to vehicles and equipment with no exceptions.
- Tracing all diesel purchases to general ledger and reconciling ending inventory to purchases, disbursements and beginning balance.

DALLAS COUNTY, TEXAS – COUNTY AUDITORS OFFICE
ROAD AND BRIDGE DISTRICT #4 INVENTORY REPORT
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Findings

1. The physical inventory count balance of \$27,691.19 was \$428.96 less than the actual perpetual inventory value on the district's stock cards of \$28,120.15.
2. Diesel inventory as verified through physical measuring by audit staff on the morning of August 16, 2016 was 8,303 gallons (\$11,707.23) or 71 (\$100.11) gallons less than the District 4's card records of 8,374 gallons (\$11,807.34). Additional review of the District 4's FY2016 beginning balance, purchases, and disbursements revealed the following:
 - Diesel invoice amount \$11,000.09 dated 9/17/2015 was entered in error as \$11,009.09 on District's diesel stock card.
 - 4 instances noted where the diesel stock card has different usage than the monthly meter reading reports.
 - Daily Fuel Report amount of 159 dated 7/6/16 does not match the stock card amount of 149.
 - Daily Fuel Report amount of 186 dated 8/15/16 does not match the stock card amount of 185.
3. All tire purchases and battery purchases were coded to General Ledger account #2650 (Special Equipment Maintenance). Use of separate account numbers could improve budget control/tracking of automobile supplies.
4. The storekeeper's stock cards were properly maintained with only a few differences in either quantity or value resulting in exceptions where the stock card balance was not consistent with the physical quantity on hand.

Recommendations

1. Adjustments should be made to the stock card balances based on the physical inventory count of August 16, 2016.
2. The District should continue to perform periodic inventory reviews identifying differences and adjusting stock cards as appropriate. Adjustments or corrections should be properly documented and referenced. Any errors or material variances should be investigated and corrected as appropriate. Reconciliation and documentation should evidence supervisory review and be retained for audit.
3. Districts records should be corrected to reflect actual inventory on hand at the end of month before submitting to Financial Audit.
4. Consider appropriating funds and code corresponding requisitions for stock items, such as tires and batteries, to General Ledger account #2610 (Auto Parts & Supplies) or #2590 (County Auto Maintenance).

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ROAD AND BRIDGE DISTRICT #4 INVENTORY REPORT
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Summary

This review is intended to support management of this office in evaluating internal controls over financial issues and inventory. Controls over inventory appear effective; no material findings were noted during annual review. Adherence to and follow through with the recommendations should strengthen internal controls.