



AUDIT REPORT

DALLAS COUNTY

ROAD & BRIDGE 4 - FY2018

Darryl D. Thomas
Dallas County Auditor
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ROAD & BRIDGE 4 - FY2018

TABLE OF CONTENTS

MANAGEMENT LETTER.....	3
EXECUTIVE SUMMARY.....	4
INTRODUCTION.....	5
DETAILS.....	6
Diesel Review	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

Elba Garcia, DDS
District 4 Commissioner
Dallas, Texas

Attached is the County Auditor's final report entitled "**Road & Bridge 4 - FY2018**" 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, with a long horizontal stroke at the end.

Darryl D. Thomas
County Auditor

EXECUTIVE SUMMARY

On August 14, 2018, 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

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- There were no significant observations.

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 October 1, 2017 through September 30, 2018.

The audit procedures will include interviews with key process owners, observation of transactions processing, data analysis and sample testing of transactions. The main system used will also be reviewed and incorporated as part of the testing of transactions.

DETAILS

Diesel Review

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 14, 2018, a physical inventory of Dallas County Road and Bridge District No. 4's storeroom supplies, fuel and lube, and road materials was performed. The count of inventory on hand compared to the district's stock cards revealed an immaterial variance of \$120.60. The diesel Stock card had an ending balance variance of 147 gallons valued at \$246.96. **Status:** The department made an adjustment to inventory stock cards to balance inventory records to the diesel fuel on hand.

The monthly beginning and ending diesel inventory amounts were captured on a Diesel Veeder Meter Reading Report, which was submitted to Financial Audit. The difference between the initial reading and the ending reading represents the diesel fuel usage reported using the Phoenix diesel system. Eleven out of 12 months have variances of 14 gallons or more between the diesel usage per the report and the usage amount recorded to the stock cards including \$159.10 over-recorded and \$610.70 under-recorded.

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.

A lack of inventory report comparisons between the Veeder Root and the daily Phoenix system reports caused delays in resolving clerical errors that resulted in inaccurate/incomplete inventory accounting records and increases the potential for loss to Dallas County through the misappropriation of diesel fuel.

Recommendation

Diesel Review

District 4 management should:

- Establish written inventory procedures that include:
- Performing periodic inventory reviews to identify variances between inventory records and inventory on hand from the Veeder Root reports with supervisory

review evidenced by initials or signature.

- Making inventory adjustments or corrections that are properly documented and referenced.
- Reconciling diesel fuel stock cards monthly.
- Train staff on established inventory procedures.
- Pursue a computerized inventory system.

Management Action Plan

We concur with the Executive Summary and the Finding Template.

Auditors Response

None

cc: Darryl Martin, Commissioners Court Administrator