



DALLAS COUNTY
COUNTY AUDITOR

Memorandum

TO: Honorable Lupe Valdez
Dallas County Sheriff

FROM: Darryl D. Thomas *Darryl D. Thomas*
Dallas County Auditor *WKA*

SUBJECT: Digital Imaging (Photo) Lab Inventory – FY 2017

DATE: Issued: October 3, 2017
Released: November 6, 2017

SCOPE

As a part of ongoing reviews of county departments and testing year end financials, we performed a physical inventory on August 2, 2017 of the Dallas County Digital Imaging (Photo) Lab located at 2121 French Settlement for Fiscal Year ended 2017.

BACKGROUND

The Dallas County Digital Imaging (Photo) Lab is operated by the Sheriff's Office and supported by Dallas County IT Services. The lab is managed and staffed by civilian employees. The lab is responsible for providing most of the digital imaging (photographic) needs of Dallas County and other outside law enforcement agencies.

PROCEDURE

Review procedures included but were not limited to:

- Physical count
- Compare unit prices per inventory spreadsheet to price lists and invoices
- Review revenue and expense amounts per general ledger
- Performed a walk-through and flowcharted the Sheriff's Photo Lab online software program.

Disclosures:

1. The Sheriff's Photo Lab online software program was initially built in 2005 at a cost of \$12,597. The program in its current form results from a Doctera Enterprise Version 3.53 software upgrade in 2009 at one time cost of \$3,000. Website <https://dcmds.dallascounty.org>
2. Support and Maintenance is provided by Unlimi –Tech Software Inc. at an annual cost of \$1,599 and is paid through April 1, 2018.
3. Amounts calculated on the Monthly Production Reports for Sheriff and other County Departments represent billable revenue and non-billable inter-departmental charges. The non-billable inter-departmental charges are absorbed by the Sheriff's Photo Lab budget.

FINDINGS

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1. Product inventory is ordered on an as needed basis. Obsolete or damaged items are not periodically destroyed: 30 obsolete items totaling \$156.40 of the inventory value remains on the stockroom shelves. (List attached-exhibit D)
2. The Photo Lab does not maintain a formal accounts receivable process.
3. Adjusted Photo Lab revenues recorded (October 2016 through August 2017) to the General Ledger totaled \$7,182.73 while expenses totaled \$195,083.00. (Spreadsheet attached –exhibit A). Work orders support inter-department charges of \$195,372.96. Net gain totals \$7,472.69 (excluding adjustment for inventory value).
4. Three job orders (#25294, #26673, and #26685) totaling \$217.20 deposited to Print Shop revenue in error.

RECOMMENDATIONS

1. Management should maintain a current record of total items in inventory as well as all unused and obsolete items. Obsolete and expired items should be identified and sent to surplus for auction and/or disposal and removed from the inventory value in a timely manner.

Management Response: *Rubber aprons are used when cleaning processors and to avoid chemical contact and the water filters are used to replace the filter at least once a year. It is requested to have these items removed from the obsolete list as the items are being used.*

2. Formalized accounts receivable process should be developed and documented. Options include a summary Excel file, an e-file (stored on a shared drive) or a paper file with copies forwarded to the Fiscal Department.

Management Response: *We agree with the recommendation. The Photo Lab does not handle any receivables. Job Orders are printed and sent to Fiscal with an email to allow the purchaser to pay for such services at the Fiscal Window.*

3. The production report should be modified to produce reports based on the submission and completion dates. Invoices should be reconciled to the production report by the staff of the digital imaging lab. A copy of all invoices should be sent to the Sheriff's Fiscal Division and reconciled to payments received. An electronic copy file of all invoice billings should be retained and archived to a secure and accessible back-up system.

Management Response: *We agree with your recommendation. We are looking at the upgrade of current reporting software in Docterra to allow for such measures and reconciliation of job tickets and invoicing.*

4. The department should implement procedures that include a review of the revenue and expenditures to ensure they are properly recorded to the correct department.

Management Response: *A review of revenue and expenditure accounts will be implemented to eliminate coding to the incorrect revenue code.*

Summary

This report is intended to support management of this office in evaluating internal controls over inventory records and billing procedures. While we reviewed internal controls and financial records, this review will not necessarily disclose all matters of material weakness. It is the responsibility of the department to establish and maintain effective internal control over inventory records and billing procedures and compliance with the requirements of laws, regulations, and contracts applicable to the department.

Priority areas of risk which need to be addressed include: lack of perpetual inventory control records; and, excessive inventory quantities including obsolete items.

Emphasis on outlined procedures should provide for improved departmental processes. Consideration of all issues and weaknesses should be incorporated by the department as a self-assessment tool. Adherence to and follow-through with recommendations should improve internal controls and compliance with Dallas County's policies and procedures.

cc: Darryl Martin, Commissioners Court Administrator
Ryan Brown, Director of OBE