




DALLAS COUNTY
COUNTY AUDITOR

Memorandum

TO: Honorable Lupe Valdez
Dallas County Sheriff

FROM: Darryl D. Thomas 
Dallas County Auditor

SUBJECT: Print Shop Inventory – FY 2017

DATE: *Issued:* October 2, 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 1, 2017 of the Dallas County Print Shop located at 133 N. Riverfront Blvd. for Fiscal Year ended 2017.

BACKGROUND:

The Sheriff's Dallas County Print Shop began printing operation in June, 2012. The lab is managed by two civilian employees and operated by inmates through the work program. Jail commissary funds were used for the Print Shop start-up costs. Revenues produced by the Dallas County Print Shop are re-invested in the Inmate Work Program.

Print Shop production costs include labor costs for two employees (personnel costs for one employee transferred to West Tower department number 3142 in FY2016), equipment leasing costs, miscellaneous supply costs, and paper costs including a 10% allocation for waste. Prices charged to other county departments and outside agencies are competitively set and the general guidelines are based on costs plus 43% and 100%, respectively.

The Dallas County Purchasing department compares costs to print items between external vendors and the Sheriff Print Shop with the work awarded to the lowest priced.

Inventory is stored in a secure room with access restricted to the two Print Shop employees. Once an order is submitted by a department/outside agency, it is reviewed by the Print Shop operations manager. After review, an email is sent back with a price quote for the job. The department/agency must send an email accepting the price quote before a job is put in to production.

On the 20th of every month, billings are aggregated and sent to the Sheriff's Department Fiscal Management Section. The Fiscal Clerk uploads the information into an Excel spreadsheet, verifies that Dallas County departmental accounting codes and billed amounts match production jobs, and submits the information to Financial Audit for processing. Financial Audit creates a journal entry to book revenues to the Print Shop general ledger accounts (GL) and to expense the charges to various Dallas County departments. Outside agencies/entities must pay for jobs from the Dallas County Print Shop in advance before a job is produced. Countywide Receipting (CWR) will be used to record Print Shop revenue for all jobs produced for outside agencies/entities.

PROCEDURES:

Review procedures included but were not limited to:

- Perform physical count
- Compare unit prices per inventory spreadsheet to price lists and invoices
- Review revenue and expense amounts per GL
- Document inventory control and billing/receivable procedures

ACCOUNT ANALYSIS :

- Exhibit A: Revenues vs. Expenses
- Exhibit B: Inventory Count

FINDINGS:

1. The Print Shop inventory ledger count of 9,393.64 was under the auditor's physical inventory count of 9,982.14 by 588.50 units. The Print Shop does not maintain complete financial inventory values preventing a comparison to the auditor's physical inventory calculated value of \$55,150.98.
2. Inconsistencies totaling \$1,782.40 were noted between amounts listed in the Job Order worksheet to the Billing invoices.

RECOMMENDATIONS:

1. Adjustments {for unit prices and quantities over (under)} should be made to the Print Shop inventory records based on the physical inventory count of August 1, 2017. Perpetual inventory records should be established with complete details including: descriptions; unit prices; quantities received, issued, and on hand; unit of measurement; and financial values of each item and total inventory value. Records should be updated timely and accurately as new purchases occur and inventory is used.

Management Response: *Quarterly physical inventory counts are already in place, but will be enforced with more timely updating.*

2. Performance measures and goal progress reports should be completed and evaluated annually to determine if project costs are justified.

Management Response: *Reconciliation of billings to the job order tickets are conducted monthly and will be further reviewed prior to submission to the Auditor's.*

SUMMARY:

This report is intended to support management of this office in evaluating internal controls over inventory records and billing procedures. Incomplete inventory values and bulk order items on price sheets resulted in a limited review of internal controls and financial records. 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.

Area of risk which needs to be addressed includes: lack of perpetual inventory control records.

Cost controls and performance reviews should strengthen 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 improve strengthen internal controls and compliance with Dallas County's policies and procedures.

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