



DALLAS COUNTY
COUNTY AUDITOR

Memorandum

TO: Honorable Lupe Valdez
Dallas County Sheriff

FROM: Virginia A. Porter *Virginia A. Porter*
Dallas County Auditor

SUBJECT: Print Shop Inventory –FY 2012

DATE: Issued: December 28, 2012
Released: March 14, 2013

SCOPE

As a part of ongoing reviews of county departments and testing year end financials, we performed a physical inventory on August 21, 2012 of the Dallas County Print Shop located at 133 N. Industrial Blvd. for Fiscal Year ended 2012.

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, 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 based on costs plus 43% and 100%, respectively.

Dallas County currently has contracts with vendors: Accurate Forms & Supplies, Ricoh Professional Services (IKON) and Southwestern Blueprint to provide printing needs. The Dallas County Purchasing department compares costs to print items between these 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 Chief Financial Officer (CFO). The CFO 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 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. Print Shop inventory valued at \$15,037.62 based on auditor's physical count exceeded Print Shop value of \$14,255.42 by \$782.20. Reasons for variance include: incorrect unit prices and quantities reported by the Print Shop.
2. Review of the GL and invoices revealed Print Shop expenditures totaling \$30,010.65 charged to other Sheriff department budgets/accounts: \$29,351.65 charged to the Photo Lab and \$659 charged to the Commissary account.

Status: Corrections processed with an effective date of September 30, 2012.

3. Comparison of Print Shop billings to the GL printing expenditures for other departments revealed \$3,743.74 charged to the wrong departments.
4. The Print Shop offers bulk quantity discounts on large order, which was not included on the price sheet provided. Since many of the invoices sampled were subject to the bulk quantity discounts, we were unable to verify item unit prices to 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 21, 2012. Inventory records should be updated timely and accurately as new purchases occur and inventory is used.
2. A management plan should be developed to address proper accounting of Print Shop expenses. Procedures should include submitting correct GL account codes on all requisitions and requests for payment and review by supervisory personnel.

3. Budget coding for monthly County internal department printing allocations should correspond to work orders submitted by the departments. Work orders with invalid account code combinations should not be processed until resolved.
4. Price sheets should be updated to reflect tiered pricing for bulk quantity discounts.

SUMMARY

This report is intended for the information and use of the department. Although 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 compliance with the requirements of laws, regulations, and contracts applicable to the department. Adherence to and follow-through with recommendations should strengthen internal controls and compliance with Dallas County's policies and procedures.

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

**DALLAS COUNTY
SHERIFF DEPARTMENT PRINT SHOP
REVENUES VS. EXPENSES**

June thru September 2012

	2012
Revenue per GL on 09/30 Cash Receipts (532.0.45325.0.0.94602)	\$ 11,995.11
Revenue per GL on 09/30 Cash Receipts (532.0.45326.0.0.94602)	<u>\$ 26,302.56</u>
 Total Print Shop Revenue Recorded to General Ledger thru 9/30	 \$ 38,297.67
 Print Shop Inventory Value as of August 21, 2012 Per Audit	 \$ 15,037.62
 Expenses per GL on 09/30 Office Supplies (532.0.2160.0.0.94602)	 \$ 38,445.11
Expenses per GL on 09/30 Equipment Rental (532.0.7020.0.0.94602)	<u>\$ 1,866.79</u>
 Total Print Shop Expenditures Charged to General Ledger thru 9/30 (Operations began in June 2012)	 \$ 40,311.90 *

* = Does not include equipment purchases and other expenditures paid directly from the
Commissionary account as part of start-up costs

Inventory Item*	Supplier	Location	Unit	2012 Cost Per Sheriff	2012 Price Per Invoice	Unit Price Variance	Print Shop Count 2012	Auditor Count 2012	Variance	Value on hand Per Sheriff	Value on hand Per Audit
# 10 Envelopes White Woven 8x9.5 (5 boxes per carton, 500 envelopes per box) (\$18.90 per thousand)	Western-BRW Paper Company	3 East	Box	\$3.78	\$9.45	(\$5.67)	40.0	40.0	0.0	\$ 151.20	\$ 378.00
Buff Cards (1,000 sheets per case @ \$225.60 per thousand)	Western-BRW Paper Company	3 East	Case	\$56.40	\$225.60	(\$169.20)	1.0	1.0	0.0	\$ 56.40	\$ 225.60
2 Part NCR (10 reams per case) (\$13.09 per thousand)	Western-BRW Paper Company	3 East	Ream	\$6.54	\$6.54	\$0.00	79.0	79.0	0.0	\$ 516.66	\$ 516.66
3 Part NCR (10 reams per case) (\$13.66 per thousand)	Western-BRW Paper Company	3 East	Ream	\$7.36	\$6.83	\$0.53	120.0	120.0	0.0	\$ 832.20	\$ 819.60
4 Part NCR (10 reams per case) (\$16.26 per thousand)	Western-BRW Paper Company	3 East	Ream	\$8.13	\$8.13	\$0.00	176.0	160.0	(16.0)	\$ 1,300.80	\$ 1,300.80
65# 11x17 Canary Paper (5 reams per case) (\$16.90 per thousand)	Western-BRW Paper Company	3 East	Ream	\$8.45	\$8.45	\$0.00	35.0	35.0	0.0	\$ 295.75	\$ 295.75
65# 11x17 White Paper (5 reams per case, 250 sheets per ream) (\$40.32 per thousand)	Western-BRW Paper Company	3 East	Ream	\$10.08	\$10.08	\$0.00	100.0	100.0	0.0	\$ 1,008.00	\$ 1,008.00
28# 11x17 White Paper (4 reams per case) (\$32 per thousand)	Western-BRW Paper Company	3 East	Ream	\$16.00	\$16.00	\$0.00	39.0	39.0	0.0	\$ 624.00	\$ 624.00
20# 8.5x11 Golden Rod Paper (10 reams per case) (\$7.38 per thousand)	Western-BRW Paper Company	3 East	Ream	\$3.69	\$3.69	\$0.00	172.0	172.0	0.0	\$ 634.68	\$ 634.68
80# 11x17 Gloss Book White Paper (4 reams per case) (\$27.50 per thousand)	Western-BRW Paper Company	3 East	Ream	\$13.75	\$13.75	\$0.00	40.0	40.0	0.0	\$ 550.00	\$ 550.00
100# 8.5x11 Card Stock (10 reams per case, 200 sheets per ream) (\$30.45 per thousand)	Western-BRW Paper Company	3 East	Ream	\$4.87	\$6.09	(\$1.22)	121.0	121.0	0.0	\$ 589.51	\$ 736.89
24# 11x17 Paper (5 reams per box) (\$13.08 per thousand)	Western-BRW Paper Company	3 East	Ream	\$6.54	\$6.54	\$0.00	100.0	100.0	0.0	\$ 654.00	\$ 654.00
20# 8.5x11 Paper (5 reams per case) (\$25.40 per thousand)	Western-BRW Paper Company	3 East	Ream	\$12.70	\$12.70	\$0.00	54.0	48.0	(6.0)	\$ 622.30	\$ 622.30
20# 8.5x11 Paper (10 reams per case) (\$6.51 per thousand)	Western-BRW Paper Company	3 East	Ream	\$2.89	\$3.26	(\$0.27)	284.0	280.0	26.0	\$ 867.10	\$ 943.95
20# 8.5x14 Paper (10 reams per case) (\$8.914 per thousand)	Western-BRW Paper Company	3 East	Ream	\$4.25	\$4.46	(\$0.21)	205.0	194.5	(10.5)	\$ 825.65	\$ 866.89
60# 11x17 Green Paper (\$21.82 per thousand)	Western-BRW Paper Company	3 East	Ream	\$10.91	\$10.91	\$0.00	7.0	7.0	0.0	\$ 76.37	\$ 76.37
65# 11x17 White Paper (5 reams per case, 250 sheets per ream) (\$40.32 per thousand)	Western-BRW Paper Company	3 West	Ream	\$10.08	\$10.08	\$0.00	46.0	47.0	1.0	\$ 473.76	\$ 473.76
80# 11x17 Cover White Linvx Paper (4 reams per case) (\$51.60 per thousand)	Western-BRW Paper Company	3 West	Ream	\$25.80	\$25.80	\$0.00	31.0	26.0	(5.0)	\$ 670.80	\$ 670.80
8.5x11 Red Fluorescent Permanent Adhesive (\$15.40 per thousand)	Western-BRW Paper Company	3 West	Pkg	\$15.40	\$15.40	\$0.00	40.0	40.0	0.0	\$ 616.00	\$ 616.00
80# 8.5x11 High Gloss White Flex Vinyl Permanent Adhesive 3.4 mil. (each)	Western-BRW Paper Company	3 West	Each	\$0.00	\$0.00	\$0.00	1.0	1.0	0.0	\$ -	\$ -
Shrink Wrap Material (each)	Landmark Print Finishing LLC	3 West	Each	\$160.58	\$160.58	\$0.00	4.0	4.0	0.0	\$ 642.32	\$ 642.32
Laminate Material 1.5 Mil (each)	Professional Binding Products Inc	3 West	Each	\$33.95	\$33.95	\$0.00	3.0	3.0	0.0	\$ 101.85	\$ 101.85
Laminate Material 3.0 Mil (each)	Professional Binding Products Inc	3 West	Each	\$31.95	\$31.95	\$0.00	4.0	4.0	0.0	\$ 127.80	\$ 127.80
NCR Fan-a-part #7, Magic Glue (12 per case), one quart bottles	Alternative Mailing	3 West	Each	\$2.45	\$29.45	(\$27.00)	34.0	34.0	0.0	\$ 83.44	\$ 1,001.30
Packing Tape (12 rolls per pack, \$20.21 per pack) Item# 338207 STP-21680, Heavy Duty Storage Tape, Size: 1.88" x 54.6yd	Staples	3 West	Each	\$4.87	\$1.68	\$3.18	72.0	72.0	0.0	\$ 350.40	\$ 121.26
Padding Adhesive Glue - SPAQW (bottles/each)	Alternative Mailing	3 West	Each	\$65.00	\$12.95	\$52.05	4.0	4.0	0.0	\$ 260.00	\$ 51.80
Toner for MPS-9650C - Yellow (each)	Mike Raffetto DBA Accurate Forms	3 West	Each	\$259.00	\$205.08	\$53.92	1.0	1.0	0.0	\$ 259.00	\$ 205.08
Drum for MPS-9650C - Magenta (each)	Mike Raffetto DBA Accurate Forms	3 West	Each	\$200.54	\$157.46	\$43.08	1.0	1.0	0.0	\$ 200.54	\$ 157.46
Drum for MPS-9650C - Yellow (each)	Mike Raffetto DBA Accurate Forms	3 West	Each	\$200.54	\$157.46	\$43.08	1.0	1.0	0.0	\$ 200.54	\$ 157.46
Drum for MPS-9650C - Cyan (each)	Mike Raffetto DBA Accurate Forms	3 West	Each	\$200.54	\$157.46	\$43.08	1.0	1.0	0.0	\$ 200.54	\$ 157.46
Transfer Belt for MPS-9650C (each)	Mike Raffetto DBA Accurate Forms	3 West	Each	\$252.80	\$183.58	\$69.22	1.0	1.0	0.0	\$ 252.80	\$ 183.58
Fuser Unit for MPS-9650C (each)	Mike Raffetto DBA Accurate Forms	3 West	Each	\$160.00	\$116.20	\$43.80	1.0	1.0	0.0	\$ 160.00	\$ 116.20
Totals							1798.0	1788.5	(9.5)	\$ 14,255.42	\$ 15,037.62

Total Print Shop Inventory Value as of 8/21/2012 \$ 15,037.62

*Assumption that all reams are 500 sheets per ream unless otherwise noted.