




**DALLAS COUNTY**  
**COUNTY AUDITOR**

Memorandum

**TO:** Honorable Lupe Valdez  
Dallas County Sheriff

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

**SUBJECT:** Print Shop Inventory – FY 2013

**DATE:** Issued: October 8, 2013  
Released: November 25, 2013

**SCOPE**

As a part of ongoing reviews of county departments and testing year end financials, we performed a physical inventory on August 22, 2013 of the Dallas County Print Shop located at 133 N. Industrial Blvd. for Fiscal Year ended 2013.

**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.

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 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 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 4,758.3 was over the auditor's physical inventory count of 4,650.3 by 108 units. The Print Shop does not maintain complete financial inventory values preventing a comparison to the auditor's physical inventory calculated value of \$39,253.62.
2. The Print Shop offers bulk quantity discounts on large orders, which were 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 22, 2013. 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.
2. 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. 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 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

