

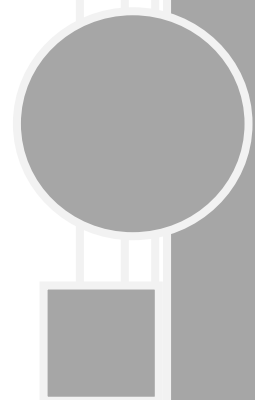


AUDIT REPORT

DALLAS COUNTY

SHERIFF PHOTO LAB INVENTORY - FY2018

Darryl D. Thomas
Dallas County Auditor
ISSUED: October 04, 2018
RELEASED: November 09, 2018



SHERIFF PHOTO LAB INVENTORY - FY2018

TABLE OF CONTENTS

MANAGEMENT LETTER.....	3
EXECUTIVE SUMMARY	4
INTRODUCTION	5
DETAILS.....	6
Obsolete Inventory	6
Receipting and Posting Error	6
Accounts Receivable Process	7

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

Honorable Marian Brown
Dallas County Sheriff
Dallas, Texas

Attached is the County Auditor's final report entitled "**Sheriff Photo Lab Inventory - 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, reading "Darryl D. Thomas".

Darryl D. Thomas
County Auditor

EXECUTIVE SUMMARY

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. As a part of ongoing reviews of county departments and testing year-end financial, we performed a physical inventory on August 3, 2018 of the Dallas County Digital Imaging (Photo) Lab located at 2121 French Settlement for Fiscal Year ended 2018.

Summary of Significant Observations

- Obsolete items were not removed from the stockroom shelves
- Revenue is not recorded to the correct account and department.

Repeat observations from Previous Audits:

- Photo Lab Billings are not appropriately reviewed for accuracy and completeness.
- Account Receivable ledger is not maintained.

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 August 3, 2018.

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

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DETAILS

Obsolete Inventory

We reviewed Photo Lab Inventory and identified 34 obsolete items totaling \$157.90 of the inventory value remains on the stockroom shelves. Management is responsible for designing, implementing and conducting internal control, and in assessing its effectiveness is emphasized in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Management should periodically review inventory on hand for obsolescence and transfer obsolete inventory to surplus per Dallas County Policy Section 90-441. Items in inventory are not periodically reviewed for obsolescence. The risk of maintaining obsolete inventory is reduced space for useful inventory, lost time locating useable inventory among obsolete inventory, and lost revenue from the sale of obsolete items to scrap dealers and re-sellers.

Recommendation

Obsolete Inventory

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 Action Plan

The office did not receive a list of items being referred to as obsolete to validate this year. Several items may be the same as mentioned last year, such as the rubber aprons and we maintain our need to keep these items in inventory for safety and sanitary purposes. When cleaning processors to avoid any chemical contact and when the water filters are replaced at least once a year. It is requested to have these items removed from the obsolete list as the items are being used.

Auditors Response

The items on the obsolete list have been the same since 2016. If Sheriff's Office Photo Lab staff determines that some of these items are not, in fact, obsolete then it is incumbent upon them to make the correction before the next annual inventory.

Receipting and Posting Error

Two job orders (#27934 and #28797) totaling \$90.70 deposited to Print Shop revenue in error and one job order for \$38.80 was incorrectly billed for \$22 (**Status: Internal Audit submitted a journal entry to correct the transaction on 09/18/18**). According to the Sheriff's 2017 General order and Code of Conduct Manual, "The Financial Service unit is responsible for auditing all Department receipts and any fiscal, cash, or credit transactions and maintaining a record of all Department purchases and expenditures, and all accounts over which the Sheriff's Department has control." These instances were caused by manual entry error and omission and were not detected by management. As a result the Photo Lab's revenue was understated.

Recommendation

Receipting and Posting Error

Management should implement procedures to ensure revenue is recorded to the correct

account and department and that Photo Lab Billings are appropriately reviewed for accuracy and completeness.

Management Action Plan

The Fiscal Office handles the receivables on job orders and agrees with the two receipting and posting errors. A review with the clerks who receipt these will be implemented to eliminate coding to the incorrect revenue code. We agree with your recommendation.

Auditors Response

None

Accounts Receivable Process

Photo Lab job tickets are not matched to invoices and amounts collected. Management is responsible for designing, implementing and conducting internal control, and in assessing its effectiveness is emphasized in the COSO framework. As a best practice, management should reconcile accounts receivable of unpaid customer billings to the receivable total stated in the general ledger to justify balances. Furthermore, orders should be supported by job tickets and invoices and matched to corresponding receipts. This occurred because a reconciliation of accounts receivable is not completed. As a result, an aging of accounts receivable cannot be completed.

Recommendation

Accounts Receivable Process

Management should make production reports based on the submission and completion dates and ensure invoices are reconciled to the production reports by staff. All invoices and job tickets should reconcile 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 Action Plan

We agree with your recommendation. The purchase of upgraded software in Docterra to allow for production reporting has been purchased and will be implemented as soon as IT allows for the security clearance to do so. Receipts are being attached to job tickets and reconciled to the billing spreadsheet. Accounting software is also being considered to produce aging accounts receivable reports.

Auditors Response

None

cc: Darryl Martin, Commissioners Court Administrator