



**DALLAS COUNTY
COUNTY AUDITOR**

Memorandum

TO: Honorable Lupe Valdez
Dallas County Sheriff

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

SUBJECT: Digital Imaging (Photo) Lab Inventory – FY 2016

DATE: Issued: October 10, 2016
Released: December 14, 2016

SCOPE

As a part of ongoing reviews of county departments and testing year end financials, we performed a physical inventory on August 18, 2016 of the Dallas County Digital Imaging (Photo) Lab located at 2121 French Settlement for Fiscal Year ended 2016.

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.

ACCOUNT ANALYSIS

Exhibit A: Revenues vs. Expenses
Exhibit D: Inventory Count

FINDINGS

1. Product inventory is ordered on an as needed basis. Obsolete or damaged items are not periodically destroyed: 32 obsolete items totaling \$163.40 of the inventory value remains on the stockroom shelves. (List attached-exhibit D)

Response: Obsolete inventory is destroyed as needed. There were 3 instances in 2016 where complete pickups were performed.

2. Users log on to the Photo Lab website, complete an online order form specifying the size and number of images, and upload the digital images for processing.

Response: Customers may hand deliver orders as well.

3. Adjusted Photo Lab revenues recorded (October 2015 through August 2016) to the General Ledger totaled \$14,030.65 while expenses totaled \$184,160.51. (Spreadsheet attached –exhibit A). Work orders support inter-department charges of \$195,267.67. Net gain totals \$25,137.81 (excluding adjustment for inventory value).

Response: Work orders are performed for the District Attorney's Office and Medical Examiner's Office at no charge. The lions' share of work orders for the Photo Shop is from these two departments.

Disclosure:

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, 2017.
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.

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.

Response: Procedure as described is currently followed.

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.

Response: We follow through on all billing activity as well as collections.

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.

Response: Procedure as documented is currently followed. We will bill all activity through the end of each calendar month.

4. Per item supply costing for non-special orders should be documented.

Response: Cost structure on all projects is known and captured through work order system.

5. Work order authorization forms should be updated to include code evidencing county benefit/need and authorized signature should be tested against controls.

Response: Medical Examiner's Office and District Attorneys have the same people drop off work orders. We will develop a standard list indicating who is approved to order work by department.

6. Fiscal Year 2016 policies should be documented including justification/authorization of work orders and excluding non-county work.

Response: We concur. Standard operating procedures will be updated to document current practices.

7. Accuracy of production reports should be verified by the Sheriff department on a monthly basis. Data should be available for review by Fiscal and audit.

Response: Current practice is followed.

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