



DALLAS COUNTY
COUNTY AUDITOR

Memorandum

To: Honorable Commissioner John Wiley Price
Road & Bridge District No. 3

From: Darryl D. Thomas *Darryl D. Thomas*
Dallas County Auditor *WXT*

Subject: Road & Bridge District No. 3
Inventory Report

Date: Issued: October 3, 2017
Released: October 31, 2017

On August 15, 2017, our Internal Audit staff performed the annual physical inventory at Road & Bridge District No. 3.

Our specific procedures, findings and recommendations are listed in the attached report. Except for diesel usage, controls over inventory appear effective and no material findings were noted during the annual review. The report is intended for information and the use of management. We believe that enhanced record keeping procedures will allow for more effective operation and control of the inventory.

We appreciate the level of courtesy and cooperation extended during our review.

Scope

A physical inventory of Dallas County Road and Bridge District No. 3's storeroom supplies, fuel and lube, and road materials was performed on August 15, 2017. The purpose of the review was limited to reconciliation of precinct records to physical count and the official general ledger. Other procedures for testing internal control and any findings are reported separately. The District #3 Service Center is located at 1506 Langdon Road, Dallas, Texas 75241.

Background

Principal areas of responsibility include maintenance and repair of Dallas County's roads and bridges. Management consists of one commissioner, two administrative assistants, a road superintendent and an office manager. As of September 30, 2017, District #3 was responsible for 106.224 road miles in addition to 5.541 road miles maintained on behalf of District #2 (FY17 information pending receipt from Public Works).

The physical inventory count balance of \$131,637.93 had an immaterial difference than the actual perpetual inventory value on the district's stock cards of \$131,622.39. Diesel inventory as verified through physical measuring by audit staff on the morning of August 15, 2017 was 8,595 gallons at a cost of \$15,900.75.

Procedures included but were not limited to:

- Generating an annual inventory list and count form
- Reviewing the storekeeper's stock cards, purchases, issues and ending balances for each item
- Physically counting items and recording any discovery items
- Measuring the stockpile of road materials
- Measuring fuel stock by reading meters or using yard stick. Fuel tickets for the day of inventory are used to calculate the day's usage. The stock card is then updated based on the fuel tickets completed.
- Comparing the physical count to the perpetual inventory balance and resolving any discrepancies
- Listing any items issued during the inventory that were not posted to the storekeeper's stock cards.
- Tracing selected purchases to stock cards
- Comparing total amount of inventory purchases per stock cards to the general ledger.
- Testing selected tire and battery purchases and usage tickets tracing to vehicles and equipment.
- Tracing all diesel purchases to general ledger and reconciling ending inventory to purchases, disbursements and beginning balance

Findings

1. Daily fuel ticket review for the period 8/1/16 thru 8/18/17 starting with diesel ticket number 414228 thru diesel ticket number 417670 revealed 266 skipped ticket numbers and 3 diesel ticket numbers duplicated on the daily fuel report.
2. The Daily Diesel & Fuel Daily Usage Report for Jan. 19, 2017 has a variance from the stock card amount by 7 gallons.
3. The Monthly Diesel Meter Reading Report has variance between the gallon amounts reported on the store stock card for Jan. (85 under) and Feb. (92 over).

Recommendations

1. Adjustments should be made to the stock card balances based on errors noted for the physical inventory count of August 15, 2017.
2. The district should continue to perform periodic inventory reviews identifying differences and adjusting stock cards as appropriate. Adjustments or corrections should be properly documented and referenced. Any errors or material variances should be investigated and corrected as appropriate. Reconciliation and documentation should evidence supervisory review and be retained for audit.
3. Continue monitoring the pump controls that measure fuel usage and examine the fuel storage tanks for possible leakage. Prior to and after fuel has been delivered, District staff should measure the fuel tank level and note any variances on the delivery tickets.
4. Pursue implementation of the Fuelman Card system to replace manual fuel tickets. Meanwhile, consider developing a systemic process of issuing diesel tickets in sequential order and proper maintenance of fuel ticket issuance books so that all tickets will be accounted for and properly listed. A review should be performed on the daily fuel sheets to minimize and/or eliminate ticket number errors recorded.

Summary

This review is intended to support management of this office in evaluating internal controls over financial issues and inventory. Except for diesel usage, controls over inventory appear effective; no material findings were noted during annual review. Adherence to and follow through with the recommendations should improve internal controls.