



**DALLAS COUNTY
COUNTY AUDITOR**

Memorandum

To: Honorable Dr. Elba Garcia
Commissioner - Road & Bridge District No.4

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

Subject: Road & Bridge District No. 4
Inventory Report

Date: Issued: September 30, 2017
Released: October 26, 2017

On August 15 and 16, 2017, our Internal Audit staff performed the annual physical inventory at Road & Bridge District No. 4.

Our specific procedures, findings and recommendations are listed in the attached report. 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. 4's storeroom supplies, fuel and lube, and road materials was performed on August 15 and 16, 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 #4 Service Center is located at 4403 West Illinois, Dallas, Texas 75211.

Background

Principal areas of responsibility include maintenance and repair of Dallas County's roads and bridges and those of other municipalities that have maintenance contracts with the County. Management consists of one commissioner, two administrative assistants, a road superintendent and an office manager. District #4 was responsible for .495 road miles during FY16.

The physical inventory count balance of \$39,722.76 had an immaterial difference of \$54.39 than the actual perpetual inventory value on the district's stock cards of \$39,668.37.

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 are filled out each time fuel is issued to a vehicle. 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 selected inventory purchases per stock cards to the general ledger.
- Testing selected tire and battery purchases and usage tickets by tracing to vehicles and equipment with no exceptions.
- Tracing all diesel purchases to general ledger and reconciling ending inventory to purchases, disbursements and beginning balance.

Findings

- Diesel inventory as verified through physical measuring by audit staff on the morning of August 16, 2017 was 10,820 gallons totaling \$18,177.60 or 94.2 (\$158.26) gallons less than the District 4's card records of 10,914 gallons \$18,335.86.
- Motor Oil count of 1,084 quarts totaling \$1,647.68 is 74 quarts or \$112.48 more than the amount indicated on the stock card in the amount of 1,010 quarts totaling \$1,535.20.
- Hydraulic Oil count of 809 quarts totaling \$1,432.90 is 96 quarts \$170.88 more than what is indicated on the stock card of 705 quarts totaling \$1,262.02.
- Diesel invoice price is not recorded on the stock card for the correct amount for three invoices dated 9/15/16, 1/25/17, and 8/9/17 on the District's diesel stock card.
- The daily usage amounts do not agree to the revised stock cards on August 2 (-55), 3(-55), 8 (-47), and 10 (-71), 2017.

Recommendations

1. Adjustments should be made to the stock card balances based on the physical inventory count of August 16, 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. Districts records should be corrected to reflect actual inventory on hand at the end of month before submitting to Financial Audit.

Management Response: *We agree with the audit review you have sent to us. The discrepancies found will be kept under a closer watch to try and reduce our variances.*

Summary

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