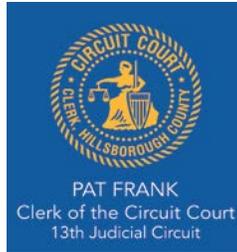**PAT FRANK**
Clerk of the Circuit Court
13th Judicial Circuit

County Audit Department

**Quarterly Status Report of Audit Recommendations and
Board of County Commissioners' Management Action Plans**

Report # 284

May 12, 2015

Date: May 12, 2015

To: The Honorable Sandra L. Murman, Chairman
The Honorable Kevin Beckner
The Honorable Victor D. Crist
The Honorable Ken Hagan
The Honorable Al Higginbotham
The Honorable Lesley "Les" Miller
The Honorable Stacy White

From: Peggy Caskey, CIA, CISA, CFE, Director of County Audit

Subject: Quarterly status report of audit recommendations and Board of County Commissioners' management action plans

Dear Chairman Murman and Commissioners:

The County Audit Department prepared the attached quarterly report on the status of audit recommendations and management action plans. Implementing the management action plans will enhance the Board of County Commissioners' overall operations and mitigate risks to the organization.

As a result of audit testing, it is common practice for the County Audit Department to make a recommendation based on the auditor's observations and conclusions. The recommendation calls for action to correct an existing condition or improve operations. The recommendation may suggest an approach to correct or enhance performance as a guide for management in achieving a desired result.

In compliance with the Institute of Internal Auditors Standard 2500, the County Audit Department monitors management's action plans for up to 12 months after the audit report issuance date (or longer if authorized by the Director of County Audit). At the end of the monitoring time period, any management action plan whose implementation has not yet reached the "audit approved" step in the monitoring life cycle is reported to the County Internal Auditor.

During the first quarter ending March 31, 2015, the County Audit Department monitored 19 management action plans. The County Audit Department closed 9 of these plans. The remaining 10 plans that are in the pending/started or implementation stage of the monitoring life cycle are being carrying forward to the second quarter 2015. The table below shows a status summary as of March 31, 2015. The attached *Status of Audit Recommendations and Management Action Plans* report contains specific information about each of the 19 management action plans.

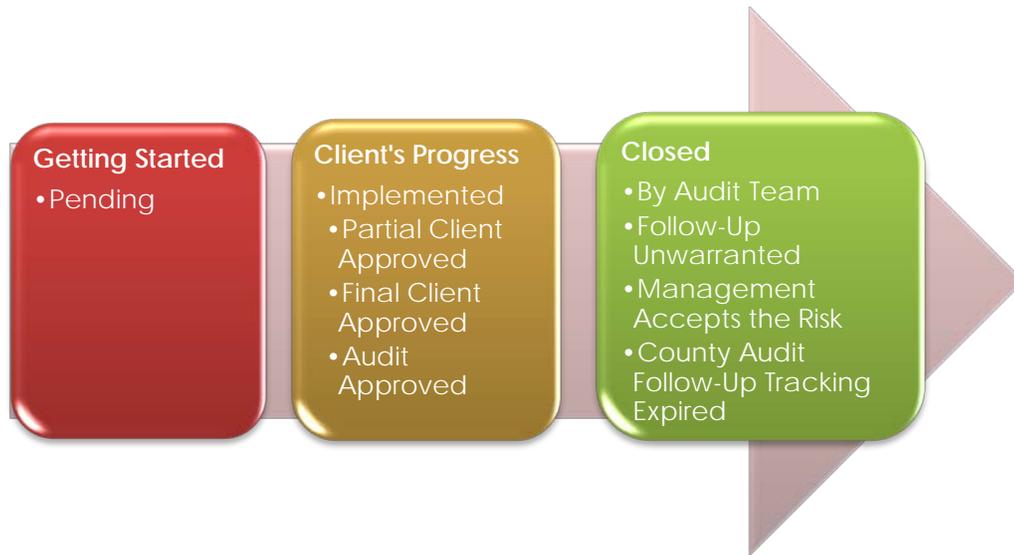**Status of Management's Action Plans - March 31, 2015**

I appreciate this opportunity to be of service to the Board of County Commissioners. I will be pleased to respond to any questions that you may have concerning the attached report and to furnish you with any desired information.

CC: Mike Merrill, County Administrator
Greg Horwedel, Deputy County Administrator
Lucia Garsys, Chief Development & Infrastructure Services Administrator
Carl Harness, Chief Human Services Administrator
Ramin Kouzehkanani, Chief Information & Innovation Officer
Liana Lopez, Chief Communications Administrator
Bonnie Wise, Chief Financial Administrator
Dexter Barge, Assistant County Administrator
Ron Barton, Assistant County Administrator
Tom Fass, Assistant County Administrator
Sharon Subadan, Assistant County Administrator
Kevin Brickey, Performance Mgmt, Management & Budget
Peggy Caskey, Interim County Internal Auditor
Pat Frank, Clerk of the Circuit Court
Dan Klein, Chief of Staff
Rick Van Arsdall, Chief Deputy, Finance & Budget

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Steps in the Management Action Plan Monitoring Process

Getting Started	Client's Progress	Closed
• Pending	• Implemented • Partial Client Approved • Final Client Approved • Audit Approved	• By Audit Team • Follow-Up Unwarranted • Management Accepts the Risk • County Audit Follow-Up Tracking Expired

DEFINITIONS:

Pending = Indicates that the recommendation was recently sent to TeamCentral and client management has not yet started implementation.

Implemented = Indicates that the recommendation was implemented but the recommendation has not yet been approved by the client and the Audit Team.

Partial Client Approval = Indicates that the recommendation received one or more client approvals, but not yet final client management approval.

Final Client Approval = Indicates that the recommendation received final client management approval and is now ready for the Audit Team to approve or reject the implementation.

Audit Approval = Indicates that the recommendation received the Audit Team's approval and is now ready to be tested and closed.

Closed = Indicates that the County Audit Department stopped monitoring.

By Audit Team = Indicates that the Audit Team reviewed or verified the actions taken to implement the recommendation and the recommendation is closed.

Follow-Up Unwarranted = Indicates that the recommendation closed by the Audit Team because the concern is no longer applicable or no corrective action is needed.

Management Accepts Risk = Indicates that the recommendation was closed by the Audit Team because client management accepted the risk exposure and is not implementing the recommendation.

County Audit Follow-Up Tracking Expired = Indicates that the target completion date for implementing the recommendation has passed and no actions have been taken by client management during the monitoring period.

Project Code	**259**
Entity	**Fleet Management**
Project Name	**Fuel Procurement and Inventory Process**
Status	Started
Actual Issue Date	4/23/2014
Recommendation	Consideration should be given to monitoring the driver's spreadsheet data entries and observing the driver's physical inventory measurements to ensure they are properly recorded and measured.
Response	Fleet Management has a requirement in its Fuel Duties Procedure to monitor all fuel inventory spreadsheets, the Fleet Fuel Manager will increase reviews of the inventory spreadsheets to help ensure omissions and errors are corrected. Additionally, Fleet Management is in the process of procuring a new truck, which will be equipped with an automatic tank gauge for improved accuracy and safety.
Estimated Implementation	10/31/2014
Revised Implementation	5/29/2015
Days from report issue date	342
Close Date	0

Project Code	**260**
Entity	**Facilities Management Services**
Project Name	**Facilities Inventory and Supplies Control Environment**
Status	Pending
Actual Issue Date	4/23/2014
Recommendation	1. To mitigate segregation of duties risks, consideration should be given to assigning the MP2 system's continuous monitoring and reporting capabilities to a non storeroom employee. For example, the MP2 system is capable of reporting data entry errors (unusual inventory amounts or values), inventory overages and shortages, changes in perpetual inventory records, comparing materials checked out of inventory on a work order to materials installed, and identifying inventory write-offs and adjustments.

Response	The Corrective Action planned for each part of the recommendations, follows:
	
	    1. Quality Control Checking — Understanding that this recommendation is made up of two (2) components:
	    a. Assigning of a non-storeroom person to carry out verification and double-checking of data integrity and,
	    b. Codifying and establishing error checking reports and processes to provide quality assurance and control.
	  A resource has been included in the FY15 budget request to hire a person to serve in a larger capacity for work management and reporting. It is intended that a percentage of that person's time will be devoted to conducting non-storeroom data verification. Facilities recognizes the importance of putting into place several of the suggested error reporting processes, and includes these in the Corrective Action Plan below. Detailed procedures will be developed to periodically (either daily or weekly) generate various "double check" reports and validate the report contents against source documents (procurement/invoice documents), Work Orders (WO's), or inventory transaction data. Daily Cycle counts will be considered part of this QA/QC process, though discussed separately in #2 below.

Estimated Implementation	1/1/2015
Revised Implementation	
Days from report issue date	342
Close Date	0

Project Code	**260**
Entity	**Facilities Management Services**
Project Name	**Facilities Inventory and Supplies Control Environment**
Status	Implemented - Partial Client Approved
Actual Issue Date	4/23/2014
Recommendation	2. To mitigate segregation of duties risks, consideration should be given to assigning the MP2 system's continuous monitoring and reporting capabilities to a non storeroom employee. For example, the MP2 system is capable of reporting data entry errors (unusual inventory amounts or values), inventory overages and shortages, changes in perpetual inventory records, comparing materials checked out of inventory on a work order to materials installed, and identifying inventory write-offs and adjustments.
Response	2. Cycle Counts — At the time of the audit, management was "made aware of" the capabilities mentioned. However, upon further investigation, the reported capability may not exist in the current implementation of MP2. The software provider, Infor has offered to explore this need and internally confer on the possibility of such a capability being provided as a customized modification. Pending a positive and cost-effective response from Infor, Facilities will implement other means to meet this objective (see Corrective Action Plan). Processes for auto-generating random selections outside of MP2 will be implemented and used to generate regular lists of items (part numbers) for daily cycle counts. Facilities anticipates that the use of Excel ® or Access ® will make this possible, allowing both the categorization and cycle count sheets for the randomly selected items .
Estimated Implementation	9/30/2014
Revised Implementation	1/20/2015
Days from report issue date	342
Close Date	0

Project Code	260
Entity	**Facilities Management Services**
Project Name	**Facilities Inventory and Supplies Control Environment**
Status	Implemented - Partial Client Approved
Actual Issue Date	4/23/2014
Recommendation	3. Consideration should be given to updating standard operating procedures to provide guidance on how to investigate and handle inventory count non reconciling differences.
Response	3 . Updating SOP's — The need to update Standard Operating Procedures (SOP's) for storeroom activities was previously identified by management and begun prior to the Audit. Facilities will codify all of the processes addressed in the Finding and add them to the Storeroom SOP, including investigation of non reconciling differences in inventory counts.
Estimated Implementation	9/30/2014
Revised Implementation	3/1/2015
Days from report issue date	342
Close Date	0

Project Code	260
Entity	**Facilities Management Services**
Project Name	**Facilities Inventory and Supplies Control Environment**
Status	Implemented - Partial Client Approved
Actual Issue Date	4/23/2014
Recommendation	4. Consideration should be given to conducting a formal review to identify and dispose of obsolete inventory.
Response	4. Obsolete Inventory — The current SOP addresses the process for formally approving obsolete items for removal from the inventory. The methodology for regularly identifying such items and actually removing from the inventory is not addressed within the SOP. Facilities will develop one, or more, procedures and to add them to the updated SOP (3., above).
Estimated Implementation	9/30/2014
Revised Implementation	3/1/2015
Days from report issue date	342
Close Date	0

Project Code	265
Entity	Construction & Maint 1 of 2
Project Name	PRCD Maintenance Inventory & Supplies Control Environment
Status	Implemented - Partial Client Approved
Actual Issue Date	9/18/2014

Recommendation	Management at both storeroom locations has the following opportunities to improve overall inventory operations. Consideration should be given to:
	  1. Developing written procedures. In the procedures , define the inventory management process and steps to be performed to help ensure that physical inventory and perpetual inventory records are managed properly including procedures to address identification and disposal of obsolete inventory.
	  2. Segregating incompatible duties or adding additional monitoring controls to provide assurance that work is being properly performed. Currently, the storekeepers are responsible for ordering, receiving, recording, stocking, and issuing inventory as well as maintaining the perpetual inventory records and reconciling physical inventory counts.
	  3. Improving the storerooms' procedures for tracking inventory usage. Manual forms are used to record items taken from inventory. The current process does not provide assurance that all removed items are recorded or that the information is timely and completely entered into the perpetual inventory system's records.

Response	Note: Management action plans 1 and 2 address recommendations 1 - 4. Management action plan 3 addresses recommendations 5. 1. Written policies and procedures shall be implemented to ensure compliance with segregated duties and shall include weekly cycle counts, supervisor's responsibilities, store keeper's responsibilities, purchasing guidelines, inventory adds, moves and changes guidelines, and annual inventory guidelines. 2. Training on the new procedures and guidelines shall be conducted with store keepers and supervisors, after the policies and procedures have been written, to ensure everyone is aware and onboard with the changes. 3. Quotes have been received for handheld computer scanners to create a more efficient process of receiving and decrementing parts inventory. Fiscal and Support Services has been contacted to secure the funding for FY15 .
Estimated Implementation	1/1/2015
Revised Implementation	0
Days from report issue date	194
Close Date	0

Project Code	<u>265 Cont'd</u>
Entity	**Construction & Maint 2 of 2**
Project Name	<u>**PRCD Maintenance Inventory & Supplies Control Environment**</u>
Status	Implemented - Partial Client Approved
Actual Issue Date	9/18/2014
Recommendation	4. Improving recordkeeping procedures for items added to inventory or used on a project. The current process requires a worker or storekeeper to manually record the addition of inventory items and the use of items on a project. The current process does not provide assurance that this information is recorded accurately, completely, and timely. The Unit I Storekeeper purchases inventory items on his purchasing card. He is responsible for entering these items into the perpetual inventory system records. The Audit Team and storeroom management reviewed a sample of 157 purchasing card transactions and found that 50 of the 157 items (or 32%) had not been entered into the perpetual inventory system records. The Unit II Storekeeper's purchasing card usage was not tested because the control weakness had already been identified. Additional testing was not necessary. 5. Improving the use of technology. Storeroom personnel rely on manual forms and manual inventory counts to monitor the inventory usage and the perpetual inventory amounts. To improve the efficiency and accuracy of the inventory records and inventory counts, storeroom management could make use of electronic bar code scanners. Per Storeroom management the Department's MP2 system has a module available for using scanners. This may require the module to be activated. Consideration should be given to the cost benefit of incurring the cost of purchasing scanners and the costs related to implementing this tool.
Response	Continued from previous page
Estimated Implementation	1/1/2015
Revised Implementation	0
Days from report issue date	194
Close Date	0

Project Code	**265**
Entity	**Construction & Maint**
Project Name	**PRCD Maintenance Inventory & Supplies Control Environment**
Status	Implemented - Partial Client Approved
Actual Issue Date	9/18/2014
Recommendation	Consideration should be given to limiting storeroom key access to only those personnel responsible for maintaining the inventory storeroom.
Response	1. Keys have been removed from all non-supervisors and placed in a lock box to be signed out for emergencies. 2. Supervisors will continue to keep their keys due to afterhours and weekend calls for emergency service. 3. Alternative solutions to enhance security are being researched. Solutions may include swipe card entry locks, security cameras inside the store room, or biometric entry solutions.
Estimated Implementation	3/1/2015
Revised Implementation	0
Days from report issue date	194
Close Date	0

Project Code	**268**
Entity	**Information & Technology Services**
Project Name	**Information and Technology Services Department's (ITS) Physical and Environmental Security Controls**
Status	Closed - By Audit Team
Actual Issue Date	11/25/2014
Recommendation	To establish the best practice activities into formal management directives, consideration should be given to incorporating the following additional physical and environmental security control objectives into the ITS Information Security Standards: 1. Periodically test and document the preventive, detective and corrective physical security measures to verify the adequacy of their design and the degree of implementation and effectiveness. 2. Define a process for recording, monitoring, managing, reporting and resolving physical security incidents, in line with the overall information technology incident management process. 3. Register all visitors, including contractors and vendors, to information technology sites. Define and implement a policy requiring visitors to be escorted by an ITS staff member when entering and exiting information technology sites and to be periodically monitored by an ITS staff member while on-site. 4. Prohibit storage of stationery and other supplies posing a fire hazard inside server room locations. 5. Ensure that particularly sensitive server locations are frequently evaluated (including weekends and holidays). 6. Include temperature and humidity control monitoring requirements.
Response	1. ITS will test and document the preventative, detective and corrective physical security measures on a semi-annual basis. 2. ITS will include a process for recording, monitoring, managing, reporting and resolving physical security incidents in our existing security incident response plan. 3. For the ITS main computer rooms, visitors are currently required to register in a log book. For the remote sites ITS will inform the site managers of this requirement, provide a logging method for this purpose, and post a reminder sign on the server room entry door. ITS does not have the staffing required to escort visitors at all times while on-site and will accept the risk as additional staffing for this purpose would not be a prudent use of County's financial resources. 4. For the three ITS main computer rooms, storage of stationary and other supplies posing a fire hazard is already prohibited and monitored. For remote server sites, ITS will inform the site managers of this requirement and post a reminder sign on the server room entry door. 5. ITS currently conducts a site inspection of particularly sensitive server locations on a quarterly basis and will begin quarterly evaluation of entry logs (including weekends and holidays) for those sites as well. 6. ITS' current policy is to monitor the ambient temperature of all server room locations. ITS will ensure temperature is monitored at all server locations and any deficiencies discovered will be resolved. ITS currently monitors and controls the humidity of the main server room locations. Humidity at remote site server locations is not monitored or controlled and management accepts the risk for those locations.
Estimated Implementation	1/31/2015
Revised Implementation	0
Days from report issue date	126
Close Date	3/24/2015

Project Code	**268**
Entity	**Information & Technology Services**
Project Name	**Information and Technology Services Department's (ITS) Physical and Environmental Security Controls**
Status	Closed - By Audit Team
Actual Issue Date	11/25/2014
Recommendation	2. Consideration should be given to limiting disclosure of the physical address of the server room locations.
Response	ITS will review documentation published on the County's Intranet site (i.e. COIN) and the County website. Any documentation containing server site addresses will be redacted or removed as appropriate.
Estimated Implementation	1/31/2015
Revised Implementation	0
Days from report issue date	126
Close Date	3/23/2015

Project Code	**268**
Entity	**Information & Technology Services**
Project Name	**Information and Technology Services Department's (ITS) Physical and Environmental Security Controls**
Status	Pending
Actual Issue Date	11/25/2014
Recommendation	3. Consideration should be given to monitoring all forms of access to the main server room locations.
Response	ITS will research solutions for surveillance cameras to be placed at each main server room entrance and submit a Decision Unit for funding in FY16 or procure in FY15 if funding becomes available.
Estimated Implementation	4/30/2016
Revised Implementation	0
Days from report issue date	126
Close Date	0

Project Code	**268**
Entity	**Information & Technology Services**
Project Name	**Information and Technology Services Department's (ITS) Physical and Environmental Security Controls**
Status	Closed - By Audit Team
Actual Issue Date	11/25/2014
Recommendation	4. Consideration should be given to coordinating with the Facilities Department to monitor and test server room location's building generators.
Response	The Facilities Department will be contacted to request that their generator testing schedule for server room locations is provided to ITS.
Estimated Implementation	1/31/2015
Revised Implementation	0
Days from report issue date	126
Close Date	3/27/2015

Project Code	**268**
Entity	**Information & Technology Services**
Project Name	**Information and Technology Services Department's (ITS) Physical and Environmental Security Controls**
Status	Closed - By Audit Team
Actual Issue Date	11/25/2014
Recommendation	5. Consideration should be given to developing, and periodically testing, the process for an emergency shutdown of the main server room locations.
Response	ITS will document the process for an emergency shutdown of the main server room locations. The process will be tested during required shutdown events.
Estimated Implementation	1/31/2015
Revised Implementation	0
Days from report issue date	126
Close Date	3/23/2015

Project Code	268
Entity	Information & Technology Services
Project Name	Information and Technology Services Department's (ITS) Physical and Environmental Security Controls
Status	Closed - By Audit Team
Actual Issue Date	11/25/2014
Recommendation	1. Consideration should be given to requiring and maintaining entry logs at remote server locations.
Response	ITS will inform the site managers of this requirement and provide a logging method for this purpose. Additionally, ITS will provide appropriate signage on server room entry doors.
Estimated Implementation	1/31/2015
Revised Implementation	0
Days from report issue date	126
Close Date	3/27/2015

Project Code	**268**
Entity	**Information & Technology Services**
Project Name	**Information and Technology Services Department's (ITS) Physical and Environmental Security Controls**
Status	Closed - By Audit Team
Actual Issue Date	11/25/2014
Recommendation	2. Consideration should be given to prohibiting eating, drinking and smoking within sensitive areas of remote server locations.
Response	ITS will inform remote site managers that eating, drinking and smoking within sensitive areas of remote server locations is prohibited. Additionally, ITS will provide appropriate signage on server room entry doors.
Estimated Implementation	1/31/2015
Revised Implementation	0
Days from report issue date	126
Close Date	3/27/2015

Project Code	**268**
Entity	**Information & Technology Services**
Project Name	**Information and Technology Services Department's (ITS) Physical and Environmental Security Controls**
Status	Closed - By Audit Team
Actual Issue Date	11/25/2014
Recommendation	4. Consideration should be given to ensuring that server rooms are free of excessive clutter or debris.
Response	ITS will inform remote site managers that server rooms must not be used as a storage area and must remain free of excessive clutter or debris.
Estimated Implementation	1/31/2015
Revised Implementation	0
Days from report issue date	126
Close Date	3/27/2015

Project Code	268
Entity	**Information & Technology Services**
Project Name	**Information and Technology Services Department's (ITS) Physical and Environmental Security Controls**
Status	Closed - By Audit Team
Actual Issue Date	11/25/2014
Recommendation	5. Consideration should be given to ensuring that fire detection and suppression equipment is present and current at each remote server location.
Response	ITS will inspect each remote server room location to ascertain if fire detection and suppression equipment is present. Any deficiencies will be addressed with the Facilities Department and/or the remote site managers.
Estimated Implementation	3/31/2015
Revised Implementation	0
Days from report issue date	126
Close Date	3/27/2015

Project Code	268
Entity	**Information & Technology Services**
Project Name	**Information and Technology Services Department's (ITS) Physical and Environmental Security Controls**
Status	Closed - By Audit Team
Actual Issue Date	11/25/2014
Recommendation	6. Consideration should be given to ensuring that remote server locations are equipped with environmental sensors to alert the ITS of unfavorable conditions.
Response	ITS will ensure that remote server locations are equipped with temperature monitoring equipment.
Estimated Implementation	1/31/2015
Revised Implementation	0
Days from report issue date	126
Close Date	3/27/2015

Project Code	<u>274</u>
Entity	**Surplus Operations 1 of 3**
Project Name	<u>**Surplus Property Disposal Operations**</u>
Status	Pending
Actual Issue Date	1/7/2015
Recommendation	Consideration should be given to: • enforcing the applicable policies, administrative directives, and standard operating procedures; and • implementing a more complete, accurate, and reliable recordkeeping process. This can be accomplished by enhancing the current manual system or implementing an automated inventory system. Well designed manual and electronic systems, when used appropriately, provide accurate tracking of items and reduce recordkeeping and posting errors.

Response	The Real Estate and Facilities Services (REFS) Department concurs with Audit Comment One. REFS would like to thank the County Audit Department for their positive review and critique of our Surplus Warehouse operations. The proposed (and some already implemented) enhancements articulated below, will:
	  Define and improve recordkeeping policies and controls.
	  Codify the physical controls and safeguards in place but which have not always been strictly enforced.
	  Create a more effective and efficient operating environment.
	  At the beginning of Fiscal Year 2011 the Surplus Warehouse experienced a reduction in force of two full-time employees: a Custodian (Surplus Warehouse) and an Office Assistant I. During the subsequent three-year period there was an unprecedented increase in surplus property as many County agencies, departments and partners consolidated resources, right-sized/down-sized operations and outsourced programs and services. The Surplus Warehouse retained two (2) full-time positions and began to rely on senior volunteers for clerical and filing duties as resources were refocused in the areas of inventory out-processing, revenue generation, recorded asset inventory management and transfer/source document handling. Maintenance of the Pallet Inventory Lists was compromised resulting in many of the errors identified during this review. Despite stresses, the Surplus Warehouse recently achieved several remarkable goals, to include:
	 ☐

Estimated Implementation	2/28/2015
Revised Implementation	0
Days from report issue date	83
Close Date	0

Project Code	<u>274 Cont'd</u>
Entity	**Surplus Operations 2 of 3**
Project Name	<u>**Surplus Property Disposal Operations**</u>
Status	Pending
Actual Issue Date	1/7/2015
Recommendation	Continued from previous page.
Response	Helped create and operate a central custodial product warehouse. Helped create and operate a central modular workstation product warehouse. The last three (3) annual recorded asset inventories were the most accurate in the Surplus Warehouse's history. Generated the highest average annual sales of about $72,000 each during the past three (3) years. As stated in the Audit Report the Surplus Warehouse has well defined and documented process controls in place. Approximately 15 months ago we began to research and procure an automated asset tracking system to improve or replace ineffective manual tracking and reporting procedures and to generally enhance the existing structure and framework. The vetting and procurement process is now complete and the Fixed Asset Tracking Software (FATS), published by Computer Directions, will be installed with staff trained and our operations converted on or before, February 28, 2015. FATS will provide significant reporting capability and allow the management of inventory based on age; a capability heretofore unavailable. This single feature alone will promote timely and efficient surplus property throughput. FATS will create asset history records at various stages of processing to include initial receipt, movement and final disposal of surplus property. Internal FATS records can be easily matched to source documents – a feature critically lacking in our current manual process. There are many more features of FATS which will enhance operations and promote efficiency. An overview of FATS is attached to this response.
Estimated Implementation	2/28/2015
Revised Implementation	0
Days from report issue date	83
Close Date	0

Project Code	**274 Cont'd**
Entity	**Surplus Operations 3 of 3**
Project Name	**Surplus Property Disposal Operations**
Status	Pending
Actual Issue Date	1/7/2015
Recommendation	Continued from previous page.

Response	A new policy has been established to document and clarify the surplus warehouse workflow, document handling and filing process. This new Surplus Warehouse policy systematizes the proper handling and filing procedures for property transfer forms and other source documents. It will become part of the Surplus Warehouse Procedures Manual and be strictly enforced. Surplus property transfer forms consist of a Fixed Asset (FAACS) Action Request form, Multiple FAACS form or Transfer of Surplus Property form. During the recent past there had been a gradual loosening of enforcement of standards regarding the use of unapproved or incorrect forms, manual changes to source documents and the signing/approval of source/transfer documents by unauthorized personnel. These issues are addressed and documented within the new operating policy.
	  The policy flowchart visualizes the surplus property processing environment. It identifies where in the process source documents are generated and where FATS will supplant old manual processes. Emphasis is placed on correcting administrative issues and source document problems at the commencement of the surplus process. FATS will greatly improve our ability to locate single or multiple assets during any stage of processing. As we become acclimated with FATS we will create a unique policy for the use of this software application and peripheral equipment.
	  Lastly, REFS has been leveraging its staff from other functional areas to provide part time supplemental support to the Surplus Warehouse. An Administrative Specialist II and a Custodian are each assigned at the Surplus Warehouse for two (2) days per week. The Custodian provides physical labor such as loading and unloading surplus property, palletizing products, and cleaning the warehouse showroom. The Administrative Specialist II is assigned clerical and filing responsibilities to eliminate our dependence on senior volunteers from the ExperienceWorks program. The senior volunteers will continue to answer phones and provide some office support.

Estimated Implementation	2/28/2015
Revised Implementation	0
Days from report issue date	83
Close Date	0

Project Code	**274**
Entity	**Surplus Operations 1 of 3**
Project Name	**Surplus Property Disposal Operations**
Status	Pending
Actual Issue Date	1/7/2015
Recommendation	Consideration should be given to: 1. Creating formal guidance for the timely disposition of unrecorded tangible personal property; 2. Complying with Administrative Directive PI-01; 3. Revising Administrative Directive PI-01 to establish a time limit for the disposal of recorded property items once approved by the BOCC for disposal and removal from the Clerk of Circuit Court's financial records; and 4. Storing items no longer than necessary.

Response	REFS concurs with Audit Comment 3 in general, however REFS does not agree that the Surplus Warehouse may be violating Administrative Directive (AD) PI-01. REFS also believes that modification of AD PI-01 is not necessary in order to meet the intent of this audit comment and recommendations. The REFS Department shall implement several key initiatives that:
	  Establishes formal guidance for the timely disposition of unrecorded surplus property.
	  Expedites the throughput of surplus property.
	  Adheres to AD PI-01 by promoting the internal reuse of as many assets as possible before final disposal or donation.
	  The Surplus Warehouse Manager must comply with the following Statutes and policies when final disposing of surplus property:
	  Florida Statute 274.06 generally requires the sale of surplus assets at public offering.
	  AD IT-01 prohibits the reissuance of surplus computer equipment into the County work environment.
	  Board Policy 08.01.01.01 requires that surplus computer equipment is made available to qualified non-profit entities. It further requires the Surplus Warehouse Manager to operate a non-profit donation program and to properly qualify non-profit entities in accordance with Florida Statute 273.01. Hillsborough County recently completed a non-profit donation event which spanned 2-½ months, served over 75 qualified non-profits and issued approximately 1,300 surplus assets, 98% of which was computer equipment. These are very time consuming and labor intensive events.

Estimated Implementation	2/28/2015
Revised Implementation	0
Days from report issue date	83
Close Date	0

Project Code	**274 Cont'd**
Entity	**Surplus Operations 2 of 3**
Project Name	**Surplus Property Disposal Operations**
Status	Pending
Actual Issue Date	1/7/2015
Recommendation	Continued from previous page.

Response	The Surplus Warehouse Manager must balance divergent, competing and time-consuming requirements (with limited resources) and requires flexibility to adapt to market and workplace conditions. Rather than modifying AD PI-01 with hard coded time restrictions, REFS chose to leverage technology and establish base-line requirements and improvement incentives through performance and evaluation standards. This will enhance throughput and allow creative management of surplus property while attaining the goals referenced at the beginning of this comment section.
	  Many errors cited in this comment section were the result of poorly designed, manual, and insufficiently maintained Pallet Inventory Lists which will be replaced by FATS. FATS consists of an asset tracking database and software application and hand-held computing devices with integrated bar code scanners and FATS runtime licenses. It accommodates mass processing of surplus property at each point of transaction in the disposal process and will streamline manual efforts thereby reducing labor hours. FATS will create asset history records as surplus property navigates the disposal process. These history records replace the manual Pallet Inventory Lists and will be accurate and easily matched to source documents. FATS will provide considerable reporting capability and the ability to report by inventory/asset age. FATS is sophisticated and powerful yet simple to operate. It will have a very positive impact on operations.
	  Another technology tool recently deployed is the on-line surplus Marketplace. This software application is a joint effort between the Surplus Warehouse and ITS Department. It resides on COIN and is used to advertise available merchandise using photographs and descriptions. The Surplus Warehouse Manager populates and administers this system which is expected to develop into a valuable tool for increasing throughput. A description of the Marketplace is attached.

Estimated Implementation	2/28/2015
Revised Implementation	0
Days from report issue date	83
Close Date	0

Project Code	**274 Cont'd**
Entity	**Surplus Operations 3 of 3**
Project Name	**Surplus Property Disposal Operations**
Status	Pending
Actual Issue Date	1/7/2015
Recommendation	Continued from previous page.
Response	Lastly, the Surplus Warehouse Manager Performance Planning and Evaluation Form has been modified and provides formal guidance, base standards and incentives to decrease surplus asset retention time and increase processing time for all categories of surplus assets. A copy of the form is attached. The evaluation and performance document defines acceptable standards and expectations and provides incentives for creative problem solving as follows: · Contains minimum and recurring reporting standards. · Establishes acceptable inventory accuracy rates based on industry standards. · Requires twice-annual recorded asset Board Agenda Items with performance incentives for more. · Requires a minimum annual inventory turnover rate of 90% with performance incentives to achieve a higher rate. · Requires a minimum of two (2) annual non-profit donation events with performance incentives to complete more events. · Contains performance incentives to design creative methods for disposing of surplus property. The State of Florida , Department of Management Services recently chose not to renew Term Contract Number 991-705-09-1 which provided State-wide services for the recycling of end-of-life electronics equipment. Many governmental entities must now pay vendors to remove and dispose of old computer equipment and electronics. This performance standard will promote creative thinking and solutions to problems such as described above, difficult to market surplus property, workplace changes and adverse market conditions. · Requires attainment of minimum self-sufficiency standards and provides performance incentives to achieve higher turnover and mitigate operating costs.
Estimated Implementation	2/28/2015
Revised Implementation	0
Days from report issue date	83
Close Date	0