PAT FRANK
Clerk of the Circuit Court
13th Judicial Circuit

COUNTY AUDIT

HILLSBOROUGH COUNTY, FLORIDA

COCC FIXED ASSETS INVENTORY SHORTAGE REMEDIATION AUDIT

REPORT # 309

SEPTEMBER 9, 2016

PAT FRANK
Clerk of the Circuit Court
13th Judicial Circuit

September 9, 2016

Dear Pat Frank, Clerk of the Circuit Court

The Audit Team performed an audit of fixed assets inventory shortages remediation (Audit Report # 309, dated September 9, 2016). The scope of the audit was based on identifying the Clerk department that received BOCC approval to remove from inventory, the largest number of lost assets during calendar year 2015. The Clerk's Information Technology (IT) Department was found to have received approval to remove the largest number of lost assets from its inventory. Responses to the Audit Team's recommendations were received from the management of Information Technology and have been included in the Report after each audit comment and recommendation.

The purpose of this Report is to furnish management independent, objective analysis, recommendations, counsel, and information concerning the activities reviewed. It is not an appraisal or rating of management.

Although the Audit Team exercised due professional care in the performance of this audit, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud and/or employee abuse is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud or abuse will be detected.

The Audit Team appreciates the cooperation and professional courtesies extended to the auditors by management and the personnel of the Information Technology Department and the Fixed Assets section during this audit.

Sincerely,

Steve Hooper, CIA, CGAP, CCSA, CFE
Director of County Audit

CC: Dan Klein, Chief of Staff, Clerk of the Circuit Court
Rick VanArsdall, Chief Deputy, Finance
Tim Simon, Director, County Finance Department
Idania Alfonso, Senior IT Director, Court Systems

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EXECUTIVE SUMMARY

BACKGROUND INFORMATION

The Board of County Commissioner's (BOCC) policy #08.02.01.00, *Tangible Personal Property Policy,* provides for improvements in the accountability, safeguarding, and proper use of County-owned vehicles, tools, equipment, furniture, and other tangible personal property, as specified in Chapter 274, Florida Statutes. The Policy assigns the responsibility to maintain the County's official tangible property records in accordance with state law to the Clerk of the Circuit Court (Clerk). Florida Administrative Code 69I-73, *Tangible Personal Property Owned by Local Governments* provides additional rules for the maintenance and control of tangible personal property.

Administrative Directive PI-01, *Procedures for Implementation of Board Policy for Control of Tangible Personal Property and Sensitive Property,* establishes the rules governing fixed assets for County-owned tangible property. The Administrative Directive establishes a Primary and Designated Custodian who are both responsible for the economical and safe use, proper care, and safekeeping of recorded property in their departments. It lists specific requirements including that property records must be maintained, an annual inventory of property must be performed, and that missing assets must be searched for.

The Clerk's Fixed Assets Department maintains the fixed asset accounting for all county constitutional offices except for the Sheriff's Office. The Fixed Assets staff is responsible for attaching property tags to all qualifying fixed assets. Real property such as land and buildings are not tagged. Annually, Fixed Assets staff performs a physical inventory on tagged property by using electronic scanning devices. The scanning devices compare the results to the data pre-loaded into the devices and list any assets that haven't been scanned. The scanning device also shows if and when any extra assets were scanned that were not listed in the data. This process detects if an asset has been moved from one department to another.

Clerk departments have annual inventory performed once per fiscal year. All tagged assets are to be scanned. There are occasional instances of a shortage where a fixed asset item is unable to be located. If the department is unable to find the lost item, the fixed asset must be written off after approval from the BOCC.

OBJECTIVE

The objective of the audit was to determine whether or not controls are in place to ensure that fixed asset shortages are appropriately identified, investigated, recorded, and addressed.

SCOPE

The audit was conducted in accordance with the *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that County Audit plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the audit comments and conclusions based

on the audit objectives. County Audit believes that the evidence obtained provides this reasonable basis.

The Audit Team obtained an understanding of how fixed asset shortages are handled. The Audit Team reviewed the shortages reported for Fiscal Years 2014, 2015, and the beginning of 2016 to investigate any material shortages or unusual trends. The Audit Team based the scope of the audit on which Clerk department received BOCC approval to remove from its inventory, the largest number of lost assets during calendar year 2015. The Clerk's Information Technology (IT) Department was found to have received approval to remove the largest number of lost assets from its inventory and was included in the scope of the audit. The Audit Team met with property representatives from IT along with the Fixed Assets Department to determine what controls are present regarding shortages of fixed assets. The scope of the audit did not include any inventory procedures by the Audit Team.

OVERALL EVALUATION

Fixed Assets and IT employees were responsive to the Audit Team's inquiries and provided thorough information when requested. Information was provided in a prompt and courteous manner. The Audit Team encountered knowledgeable and dedicated employees during the course of this audit.

AUDIT COMMENT	CONCLUSION OF OBJECTIVE	PAGE
1	Clerk's IT has opportunities to improve controls to ensure that fixed asset shortages are appropriately addressed.	6

OPINION

The control environment relative to inventory management at the time of the lost assets was at a basic maturity level given limited capabilities to identify, assess, manage and monitor the risk of lost assets. Addressing the opportunities identified throughout this report will enhance the overall control structure. Management has began to developed some processes and controls which, once implemented, will reasonably ensure that remediation efforts are appropriate and in compliance with the guiding principles for the County's tangible personal and sensitive property.

Corrective actions by IT management may help to strengthen controls to mitigate the risk of lost assets.

The exit conference was held on July 25, 2016.

Other minor concerns not included in this Report were communicated to management and/or corrected during fieldwork.

AUDITED BY

Steve Hooper, CIA, CGAP, CCSA, CFE, Director of County Audit
Heidi Pinner, CIA, CFE, CISA, CRMA, General & IT Audit Manager
Ben Everett, CPA, CIA, CFE, Senior Internal Auditor (Lead Auditor)
Richelle Anderson, Internal Auditor II

AUDIT COMMENT & RECOMMENDATIONS

AUDIT COMMENT

IT has opportunities to improve controls to ensure that fixed asset shortages are appropriately addressed.

Background/Procedure

In December of 2015, IT had a write-off of 73 lost or missing assets with an original purchase cost of $130,072. Fifty five (55) of those items (75%) were laptop computers and the remaining items included scanners, printers, projectors, and desktop PCs.

To determine whether or not IT has adequately addressed the cause of the shortage, the Audit Team:

- Reviewed how assets are currently inventoried and accounted for by IT;
- Determined whether or not IT complies with *Administrative Directive PI-01 For Tangible Personal Property*; and
- Determined what corrective actions have been implemented since the write off.

Results

The Administrative Directive requires asset custodians to maintain asset records and perform annual inventories. IT appears to be in compliance with this portion of the Administrative Directive by performing the following activities:

- Ensuring assets are tagged with barcode stickers;
- Maintaining a listing of IT asset records in a separate instance of the asset tracking software;
- Assisting Fixed Assets with the annual inventory scanning process; and
- Performing its own internal inventory scanning process in addition to the Fixed Assets annual inventory.

Many of the assets that IT has responsibility for are in the physical possession of other Clerk departments, including some located in buildings separate from where IT is located. While IT maintains location data for its assets, that data has not been electronically shared with Fixed Assets to allow for more complete record-keeping.

Assets issued to individual employees by IT are retrieved from the employee when the employee's tenure with the Office ends. The checklist completed for each terminated employee includes a step to ensure that the asset is returned. IT does not have a means to determine exactly what items were issued to the employee for reconciliation purposes. The asset records maintained by IT cannot be queried by employee.

When an asset is unable to be located during the annual inventory scanning process, IT will contact the related department and ask them to search for the missing item(s). In the event of a theft of assets, the Administrative Directive requires that the Designated Custodian investigate the theft, notify law enforcement, and obtain a police report. Interviews performed by the Audit Team indicated that there is uncertainty as to who has the responsibility for notifying law enforcement and obtaining the police report in the event of a theft.

Administrative Directive PI-01 also requires the assignment of a Primary and Designated Custodian for each fixed asset. IT does not have current Primary and Designated Custodians assigned to fixed assets.

The Audit Team noted that the previous asset write-off by IT was an accumulation of items gradually identified as missing over the previous several years. This allowed the number of missing items to accumulate without being removed from inventory. Assets not timely removed from inventory remain on the books which results in inefficiencies as attempts continue to be made to find and scan the items each year.

RECOMMENDATION

Opportunities exist to enhance the controls over the management of assets. IT management should consider:

1. Officially appointing Primary and Designated Custodians over IT property.

2. Appointing other department directors as the Designated Custodians in order to shift some of the responsibility for safeguarding assets to the departments that are physically in possession of the assets.

3. Writing-off lost assets in a timely manner to facilitate annual inventory scannings and help ensure accurate annual financial reporting.

4. Clarifying who should notify law enforcement in the event of a theft.

5. Developing a procedure to ensure that all equipment issued to employees is tracked and returned when the employee's tenure ends.

6. Sharing the asset location data with Fixed Assets so that asset records may be more complete.

CLIENT RESPONSE: *Concur*

CORRECTIVE ACTION PLAN

1. *The 2nd Level Support team (Bruce Wilson, manager, Ignacio Galvez, inventory technician) will be the Primary Custodians. The department directors will be the Designated Custodians.*
2. *It has been approved by the Governance board to make the department directors the Designated Custodians over IT equipment in their department. A Fixed Assets Action Request form (FAACS) will be created for each director. This will transfer the Custodian responsibility from IT to the director of the department.*
3. *Lost assets were written off last year (2015) and will occur on a yearly basis going forward.*
4. *This will be presented to the Human Resources department for direction, process and procedure.*
5. *With the implementation of the new "Strategic Web Asset Tracking" - S.W.A.T application, procedures will be developed to ensure that all equipment issued to employees is tracked and returned when the employee's tenure ends.*
6. *With the implementation of the new "Strategic Web Asset Tracking" - S.W.A.T application, the asset location data of the IT department and Clerk's Fixed Assets department will be identical.*

TARGET COMPLETION DATE: *03/31/2017*