

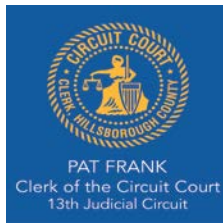
COUNTY AUDIT

HILLSBOROUGH COUNTY, FLORIDA

BOCC FIXED ASSETS INVENTORY SHORTAGE REMEDIATION AUDIT

REPORT # 310

SEPTEMBER 16, 2016



September 16, 2016

The Honorable Lesley “Les” Miller, Chairman
The Honorable Kevin Beckner
The Honorable Victor D. Crist
The Honorable Ken Hagan
The Honorable Al Higginbotham
The Honorable Sandra L. Murman
The Honorable Stacy R. White

Dear Chairman Miller and Commissioners:

The Audit Team performed an audit of fixed assets inventory shortages remediation (Audit Report # 310, dated September 16, 2016). The scope of the audit was based on identifying the County department that received BOCC approval to remove from inventory, the largest number of lost assets during calendar year 2015. The County’s Fire Rescue Department was found to have received approval to remove the largest number (and the highest dollar values) of lost assets from its inventory. Responses to the Audit Team’s recommendations were received from the management of Fire Rescue 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 Fire Rescue and Clerk’s Fixed Assets during this audit.

Sincerely,

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

CC: Mike Merrill, County Administrator
Greg Horwedel, Deputy County Administrator
Dan Klein, Chief of Staff, Clerk of the Circuit Court
Rick VanArsdall, Chief Deputy, Finance
Tim Simon, Director, County Finance Department
Dennis Jones, Director, Fire Rescue
Kevin Brickey, Management & Budget Office

TABLE OF CONTENTS

EXECUTIVE SUMMARY1

 BACKGROUND INFORMATION 1

 OBJECTIVE 1

 SCOPE 1

 OVERALL EVALUATION 2

 OPINION 2

 AUDITED BY 2

AUDIT COMMENTS & RECOMMENDATIONS3

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.

Each County department has its 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 determined that the scope of the audit would be based on the department with the largest removal of lost assets approved by the BOCC during calendar year 2015. The Audit Team met with property representatives from Hillsborough County Fire Rescue along with the Clerk's Fixed Assets Department to determine what controls were implemented to remediate shortages of fixed assets. The scope of the audit did not include any inventory procedures by the Audit Team.

OVERALL EVALUATION

Employees in the Clerk's Fixed Assets and Hillsborough County Fire Rescue Departments 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	There are opportunities for the Fire Rescue Department to improve the tracking and management of fixed assets.	4

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 begun to develop processes and controls which, once implemented, should reasonably ensure that the lost assets remediation efforts are appropriate and in compliance with the guiding principles for the County's tangible personal and sensitive property.

The exit conference was held on August 16, 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 1

There are opportunities for the Fire Rescue Department to improve the tracking and management of fixed assets.

Background

As of April 14, 2016, the Fire Rescue Department maintained an inventory of 3,597 fixed assets making them one of the largest users of fixed asset equipment in the County. On November 4, 2015, The Board of County Commissioners approved a request for the Fire Rescue Department to remove 398 missing capital equipment items with an original purchase cost totaling \$1,205,072.94. These 398 items could not be located during the Fire Rescue Department's 2015 annual asset inventory. Of these missing items, 221 (56%) were two-way radios. Other assets not located included antennas, GPS transmitters, and medical and rescue equipment. Based on the purchase dates, the items approved for removal ranged in age from 2 to 39 years old.

Procedure

To verify whether or not the Fire Rescue Department is in compliance with *Administrative Directive PI-01* and whether corrective actions have been implemented to mitigate future inventory shortages and write-offs, the Audit Team performed the following:

- Observed part of the 2016 annual inventory of Fire Rescue assets performed by the Clerk's Fixed Assets Department.
- Conducted interviews with Fire Rescue and Clerk's Fixed Assets managers and staff.

Results

Administrative Directive PI-01 requires departments to assist the Clerk's Fixed Assets Department in locating assets for the annual inventory scanning. For the portion of the inventory observed by the Audit Team, Fire Rescue staff assisted Clerk's Fixed Assets accordingly. The Audit Team's observation and inquiry identified the following control weaknesses which may have contributed to the prior inventory shortage and eventually, the BOCC approval to remove the shortage from the capital asset inventory records:

- The nature of Fire Rescue operations requires that certain equipment items be swapped around to different locations and fire vehicles. The swapping of assets among different locations can make it difficult to find all the items for scanning purposes. To mitigate this, Fire Rescue management purchased its own inventory tracking system. Once implemented, managers plan to perform monthly internal inventory scannings at each fire station and a quarterly scanning at Fire Rescue Administrative Headquarters. No timeline for

implementation of the new inventory system was available. In the meantime, Fire Rescue does not currently have the means to track where each asset resides at a given point in time.

- There are Fire Rescue assets, such as radios, located at other agencies (hospitals, neighboring municipalities' fire stations, ambulance companies, etc.) which Clerk's Fixed Assets has been unable to scan. Coordination between Fire Rescue, Clerk's Fixed Assets, and the other agencies is needed to scan those items.
- At times, assets previously approved for removal from the Fire Rescue Department's inventory are found during future inventory scannings. During the fiscal year 2016 annual inventory performed by Fixed Assets, staff located some of the two-way radios that had been approved for removal by the BOCC in November 2015.
- There is a challenge determining whether or not an asset should be tagged and inventoried. Newly built fire stations may include appliances such as a stove and refrigerator. In addition, newly purchased Fire Rescue vehicles may arrive from the vendor with mobile radios already installed. In these instances, these asset items (appliances and radios) are not individually tagged because they are part of the overall value of the larger asset (new buildings or vehicles). If these assets are later replaced, the replacement asset is individually tagged. This results in identical assets that vary in whether or not they need to be tagged and scanned as a fixed asset.
- Serial numbers are at times, not recorded in the asset property records. In some situations, the asset tag sticker and/or the serial number label on an asset may become damaged, torn, or removed during repairs or heavy use. This makes it difficult to identify if a given asset is supposed to be tagged or not. When an asset has no tag, it is not scanned and will show up in the scanning data as missing. If a serial number has not been previously recorded for an asset, it is often difficult to determine if the asset should be re-tagged and scanned. This may result in items being erroneously identified as missing.
- Older Fire Rescue vehicles, retired from service by Fleet Management, may be sold via auctions. In these instances, Fleet Management staff may not identify and remove all separately tagged fixed assets installed on the vehicle. This can result in assets being lost.

RECOMMENDATION

Opportunities exist to enhance the controls over the tracking and management of assets. Fire Rescue management should consider:

- Fully implementing the inventory software they have purchased;
- Following up on excess inventory or missing inventory items to ensure that the new process is begun with a clean slate and accurate asset records;
- Ensuring that a means to track the location of items among Fire Rescue locations is addressed by this new system; and
- Implementing a process to ensure that a member of Fire Rescue inspects retired vehicles to ensure all separately tagged assets were removed or properly accounted for.

Fire Rescue management may also wish to consider having formal meetings with the Clerk's Fixed Assets Department to collaboratively address the following concerns:

- Reaching agreements on how to proceed with future inventories;
- Ensuring that Fire Rescue's planned improvements (monthly internal inventories, tracking of radios) will align well with Fixed Assets' annual inventory scanning;
- Deciding on when an item should be tagged or not tagged;
- Ensuring compliance with state statute, the Florida Administrative Code, and the Administrative Directive;
- The recording and tracking of serial numbers, and re-tagging assets when the tag is lost due to repairs;
- The scanning of assets in possession of other agencies, such as hospitals, ambulance companies, and other fire departments;
- The restoring of asset records when a removed from inventory asset is later found;
- The timeliness of requesting approval to remove assets from the inventory records once they are confirmed to be lost or obsolete; and
- The tagging or re-tagging of assets being performed only by the Clerk's Fixed Assets Department.

These meetings between Fire Rescue and Clerk's Fixed Assets should result in specific, agreed upon actions and due dates to improve upon the items above.

CLIENT RESPONSE

Concur

CORRECTIVE ACTION PLAN

Currently, HCFR is conducting training for the software with a target completion date of October 31, 2016 with a scheduled go-live date and release of the department's new capital inventory management policy of November 1, 2016. The inventory solution will provide complete asset location tracking to include the transfer of assets amongst HCFR locations.

HCFR will work in collaboration with Fleet Management to identify and remove all tagged assets prior to vehicle disposition.

HCFR will schedule quarterly meetings with the Clerk's Office and work proactively to address all items noted in the audit recommendations.

TARGET COMPLETION DATE

November 1, 2016: Date for inventory tracking software Go-Live department wide