TO: The Honorable Chairman and Members of the Board of County Commissioners

FROM: Ken Burke
Clerk of the Circuit Court
Ex Officio County Auditor

SUBJECT: Follow-Up Audit of Real Estate Management and Fleet Management Property Disposition Function

DATE: October 14, 2010

For your review and filing in the Official Records, I am enclosing a copy of the follow-up audit dated October 14, 2010 on the above-referenced audit.

I hope you find this report helpful in ensuring Pinellas County government provides the best possible service to our citizens.

cc: Robert S. LaSala, County Administrator
Jim Bennett, County Attorney
Mark Woodard, Assistant County Administrator
Paul S. Sacco, Director, Real Estate Management
Andrew W. Pupke, Manager, Facility Planning
Keith Grant, Director, Fleet Management
Claretta N. Harris, Chief Deputy Director, Finance Division
Ernst & Young
FOLLOW-UP AUDIT OF
REAL ESTATE MANAGEMENT AND
FLEET MANAGEMENT PROPERTY
DISPOSITION FUNCTION

Audit Services
Division of Inspector General

Ken Burke, CPA*
Clerk of the Circuit Court
Ex Officio County Auditor

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Director, Audit Services
Inspector General/Chief Audit Executive
Division of Inspector General**

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Ava Jurek, MS, CIA, CIGA – Internal Auditor II
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OCTOBER 14, 2010
REPORT NO. 2010-16

*Regulated by the State of Florida
**Accredited Office of Inspector General
By the Commission for Florida Law Enforcement Accreditation
October 14, 2010

The Honorable Chairman and Members
of the Board of County Commissioners

We have conducted a Follow-Up Audit of the Real Estate Management and Fleet Management Property Disposition Function. The objectives of our review were to determine the implementation status of our previous recommendations.

Of the six recommendations contained in the audit report, we determined that both have been implemented. The status of each recommendation is presented in this follow-up audit.

We appreciate the cooperation shown by the staff of Real Estate Management and Fleet Management during the course of this review.

Respectfully Submitted,

Hector Collazo, Jr., Director
Audit Services, Division of Inspector General

Approved:

Ken Burke, CPA*
Clerk of the Circuit Court
Ex Officio County Auditor

*Regulated by the State of Florida
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INTRODUCTION

Scope and Methodology

We conducted a follow-up audit of the Real Estate Management and Fleet Management Property Disposition Function. The purpose of our follow-up audit is to determine the status of previous recommendations for improvement.

The purpose of the original audit was to:

- Determine if Pinellas County procurement procedures are followed for obtaining contracts for disposition of County surplused property.
- Determine if contracts are adequately monitored to ensure service is performed in accordance with contract provisions.
- Determine if contractor invoices submitted for payment are approved at the appropriate level of management, accurate and properly supported.
- Determine if County surplus property is appropriately secured.
- Determine if electronic equipment is properly cleansed of data, documents, records and/or sensitive information prior to being surplused.
- Determine if the property disposition process is cost effective.

To determine the current status of our previous recommendations, we conducted an interview with management to determine the actual actions taken to implement recommendations for improvement. We performed limited testing to verify the process of the recommendations for improvement.

Our follow-up audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and Standards for Offices of Inspector General, and, accordingly, included such tests of records and other auditing procedures, as we considered necessary in the circumstances. Our follow-up testing was performed during the month of August 2010. The original audit period was October 1, 2007 to September 30, 2008. However, transactions and processes reviewed were not limited by the audit period.

Overall Conclusion

Of the six recommendations in the report, we determined that all six were implemented. We commend management for implementation of all of the recommendations.
Background

Prior to October 1, 2007, the County’s Purchasing Department had sole responsibility in the following areas:

- Fixed asset and property control
- Surplus County property
  - Rolling stock (cars, trucks, pick-ups, forklifts, heavy equipment, riding mowers, etc.)
  - Non-rolling stock (desks, chairs, file cabinets, computer equipment, etc.)

On October 1, 2007, as part of the County management reorganizing and streamlining of County operations, the aforementioned responsibilities were reassigned to other County departments and the Clerk of the Circuit Court.

- Fixed asset and property control
  - Clerk of the Circuit Court Finance and Internal Audit Divisions
- Rolling stock
  - Fleet Management Department
- Non-rolling stock
  - Facility Management Department

Along with the new responsibility for the disposition of the County’s non-rolling surplus property, Facility Management provides a variety of services to County departments and agencies in the management of County owned and/or leased facilities. These services include:

- Coordinating facilities planning
- Designing
- Managing the buildings and their systems, equipment and furniture

Facility Management consists of three divisions: Operations, Planning and Lease Management. For Fiscal Year 2005/2006, the budget for Facility Management was $39.8 million, the budget for Fiscal Year 2006/2007 was $43 million and the requested budget for Fiscal Year 2007/2008 is $42.2 million.
Along with the new responsibility for the disposition of the County's rolling surplus property, Fleet Management, through an internal service fund, is supported on a cost reimbursement basis by user departments for the cost of goods and services provided. Fleet Management maintains and manages an inventory of over 2,200 vehicles. Fleet Management provides maintenance, repair and technical support, which has expanded to an external customer base, which includes some surrounding cities. For Fiscal Year 2005/2006, the budget for Fleet Management was $14.1 million, the budget for Fiscal Year 2006/2007 was $22 million and the requested budget for Fiscal Year 2007/2008 is $19.5 million.
STATUS OF RECOMMENDATIONS

This section reports our follow-up on actions taken by management on the Recommendations for Improvement in our original audit of Facility Management and Fleet Management Property Disposition Function. The recommendations contained herein are those of the original audit, followed by the current status of the recommendations.

1. County Computer Hard Drives Are Not Wiped Clean Or Removed Prior To Being Surpluseded.

The County's surplus computer hard drives are not being properly cleaned/wiped of County data, records, documents and/or sensitive information by departments prior to being surpluseded and transferred to Facility Management.

During our review, we judgmentally selected surpluseded computers, which were scheduled to be auctioned.

Of the ten hard drives analyzed, we were able to view and/or retrieve hundreds of County records from a variety of County departments and Constitutional offices. It was evident the hard drives were not properly wiped cleaned (data removed from hard drives). The inappropriate disposal of these records exposes the County to potential violations of both Florida Statutes and Federal law.

In a previous audit released November 6, 2008, titled Audit of Facility Management Maintenance and Service Contract Administration, in Opportunity for Improvement No. 1, “Government Records Are Not Appropriately Being Safeguarded in Accordance With Florida Statutes And/Or Federal Laws,” we discovered a similar problem; however, the issues dealt with hard copies (paper) vs. electronic data.

During the prior audit, we visited selected County facilities during normal County operational hours and gathered trash bags from their dumpsters. We discovered hundreds of County records from a variety of County departments and Constitutional offices which had not been disposed of properly. In order to determine if the documents recovered may have exposed the County to potential violations of both Florida Statutes and Federal law, we asked the County Attorney's office to review some of the documents and provide us an understanding of what, if any, laws may have been violated. They confirmed that many of the reviewed records did expose the County to potential violations of Florida Statutes and/or Federal law.

The records we recovered during our current review of the surpluseded hard drives once again expose the County to the same potential violations of Florida Statutes and/or Federal law.

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It is important to note in the aforementioned audit and in this audit, Facility Management does follow all the appropriate policies and procedures and is not responsible, nor does it have the resources to monitor how County departments and/or Constitutional offices handle the disposal of County records, whether in electronic or hard copy (paper).

We determined that there are no Countywide procedures and/or policies in place to ensure that any electronic equipment, which stores electronic data, including hard drives, thumb/flash drives, cell phones, media cards, printers, fax machines, copiers, etc., be wiped clean or the media storage device be removed and physically destroyed prior to disposing of the equipment.

The only exceptions requiring hard drives be wiped clean are County computers leased from Dell Computers (lease contract). When a department decides to lease a computer, the lease term has expired and the computer is returned to Dell, the contract requires Dell to certify that the hard drives have been wiped clean. While it is our understanding that the majority of County computers are leased from Dell, departments are not required to lease, and some continue to purchase computers, which eventually are surplused.

Facility Management Procedure for the Receipt, Management and Disposition of Pinellas County Owned Non-Rolling Stock Surplus does not address and/or require that electronic equipment, which has the ability to store electronic data, be wiped clean of County data or be removed and destroyed. Facility Management inherited these procedures from the Purchasing Department when the reorganization occurred on October 1, 2007.

The only document that addresses cleaning hard drives is Facility Management Fixed Assets Transfer Form, which states:

“All surplus computer(s) listed below must have all pertinent information purged/removed from disk drive, which must be answered Yes or No and initialed.”

The authorized custodians must then sign the forms. However, the form gives the impression that the hard drives do not have to be purged because of the yes or no option. Our review of the fixed asset transfer forms for the selected computers revealed that the majority of the forms were not completed, not indicating if all pertinent information was purged and/or removed from disk drive(s)/hard drive(s), nor answered “Yes” or “No” and initialed.

The Clerk of the Circuit Court’s Finance Division’s Sale of Capital Assets Procedure does not address the purging or removal of pertinent information from hard drives. The Clerk's Technology Division stated that there is no approved specific policy addressing the issue.
The County's Information Technology (IT) Security Division also does not have an approved policy addressing the issue; however, they do distribute a best practice, which does discuss the wiping of data from hard drives.

The IT Governance Institute, which is the primary IT governance body for the IT community, in their IT Standards publication, Cobit 4.1, clearly defines the importance of proper data management, security and disposal. A security management process is required.

Florida Statutes, Chapter 119, Public Records, addresses classification of all state, county, and municipal records as public records. Providing access to public records is a duty of each agency. However, it also states the agency has the responsibility to ensure that exempt and/or confidential records are not disclosed and/or released except as permitted by law.

If these hard drives or media storage devices are purchased by an unscrupulous individual(s), they could produce fraudulent official government records and/or assist them in identity fraud. This is made easier because the records are in an electronic format, such as seals/logos, letterheads, etc., making the documents appear genuine and official. It is imperative that sensitive equipment be safeguarded at all times, including during the destruction and disposal process.

We recommended:

A. Management require all hard drives and all equipment that have the capacity to store electronic data and/or have some form of memory chip, including laptops, desktop computers, printers, PDA’s, copiers, etc., have their hard drives and/or memory chips removed when surplused and be physically destroyed.

B. Facility Management works with the Countywide government and the Business Technology Services to develop policies and procedures to ensure that all hard drives and data media are destroyed prior to surplusing the items.

C. Facility Management’s Fixed Assets(s) Transfer Form be revised to clearly state that all hard drives and/or media storage devices must be and have been removed, and that the form is properly completed, signed and dated attesting to that fact.

Status:

A. Implemented. The current Fixed Asset Transfer Form requires attestation that the equipment hard drives have either been purged or removed.

B. Implemented. The Fixed Asset Transfer Form contains directions to remove hard drives or purge information from equipment’s memory.

C. Implemented. The Fixed Assets Transfer Form contains instructions regarding removal of data storage devices prior to surplusing.
2. **The County’s Surplus Operations Is Not Cost Effective.**

During Fiscal Years 2006/2007, the non-rolling stock surplus function generated approximately $132,000 in revenues for surplus property. The amount of $82,716 was generated from the sale of vehicles (rolling stock), leaving $59,714 in sales for general County surplus equipment, such as desks, computers, chairs, etc. (non-rolling) property. The total vendor costs for fees and/or consignor payments totaled $38,225. When the fees for rolling stock sales are excluded, the fees and/or consignor payments totaled $32,806.

The current expenses for Fiscal Year 2007/2008 for Facilities Management to run the surplus operations are approximately $162,000 annually. These expenses include equipment, direct and indirect labor costs, building costs, building maintenance, utilities, auction fees, etc.

<table>
<thead>
<tr>
<th>Total Surplus Revenues (earned in Fiscal Year 2006/2007)</th>
<th>$131,962.63</th>
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<td>Total Surplus Expenses (projected for Fiscal Year 2007/2008)</td>
<td>161,787.58</td>
</tr>
<tr>
<td>NET LOSS</td>
<td>($29,824.95)</td>
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| Total Surplus Revenues (less surplus vehicle sales for Fiscal Year 2006/2007) | $59,714.63 |
| Total Surplus Expenses (less vehicle fees for Fiscal Year 2006/2007) | 156,368.98 |
| NET LOSS | ($96,654.35) |

Our review has determined that the current method of handling the storage, disposal and/or auctioning of non-rolling stock are not cost effective and the County is operating at a loss of up to $97,000 per year.

When Facilities Management took over the non-rolling stock surplus function, they immediately reduced overhead costs by moving out of a rented building and into a County owned warehouse, generating an annual savings of approximately $50,000.

The purpose of the surplus (sale) of County property is to abide by Florida Statutes regarding the proper disposal of government property, and not designed to generate revenues (profit) for the County. However, the County has the responsibility and obligation to properly and efficiently maintain and track County property. That responsibility includes proper disposal of and removal from the asset management system’s obsolete and unneeded County property. However, it is the County’s fiduciary responsibility to ensure that the County operate in the
most efficient and effective manner. This includes determining the best method of handling the disposal of County surplus equipment (non-rolling stock) at the fairest and least cost possible to the taxpayers.

We recommended management:

A. Consider cost effective alternatives to the auction of surplus equipment (non-rolling stock), including consideration of:

   1) Developing contract(s) with recycling company(s) that would be able to handle the recycling of:
      
      - Metal (current contract in place)
      - Electronic Equipment
      - Analyze if there are other surplused property that could be disposed of by recycling

   2) Developing contract(s) with non-profit agencies that would be interested in accepting the County’s surplus property for non-profit use and/or for sale at their retail outlets.

B. Turn over the disposal of rolling stock to Fleet Management.

Status:

A.

   1) Implemented. The Management has contracts in place for metal and electronic equipment.

   2) Implemented. There are 61 non-profit organizations that participate in Pinellas County in Social Action Funding and have an exclusive opportunity to obtain any surplus equipment prior to the auction.

B. Implemented. Fleet Management prepares the rolling stock for the auction. In an effort to speed up the administrative processes Fleet Management and Real Estate Management staff works together preparing the Board Agenda Memo and supporting documents prior to each auction.
DIVISION OF INSPECTOR GENERAL

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CLERK OF THE CIRCUIT COURT
PINELLAS COUNTY, FLORIDA

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