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TO: Paul Cozzie, Bureau Director
Parks and Conservation Resources Department

FROM: Hector Collazo Jr., Inspector General/Chief Audit Executive
Division of Inspector General 

DIST: Ken Burke, CPA, Clerk of the Circuit Court and Comptroller
Claretha Harris, Chief Deputy Director, Finance Division

SUBJECT: Inspector General's Follow-Up Audit of the Observation of Eagle Lake Park's
Annual Physical Inventory of Fixed Assets

DATE: May 10, 2018

This letter serves to inform you that the Division of Inspector General has completed a Follow-Up Audit of the observation of the annual physical inventory of fixed assets for Eagle Lake Park. The purpose of our follow-up review was to determine the status of previous recommendations for improvement.

The objectives of the original audit were to:

1. Interview and observe staff conducting the department's physical inventory to determine compliance with required inventory procedures.
2. Test and verify, on a sample basis, the asset counts recorded by staff.

To determine the status of our previous recommendations, we surveyed and/or interviewed management to determine the actual actions taken to implement recommendations for improvement. We performed limited testing to verify the implementation of the recommendations for improvement.



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Our follow-up audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and the *Principles 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. We performed our follow-up testing during the month of April 2018. The original audit period was September 2016. However, transactions and processes reviewed were not limited by the audit period.

Of the three recommendations contained in the original audit report, we determined management has partially implemented all three recommendations. We commend management and encourage full implementation of each recommendation.

Below reports our follow-up on actions taken by management on the Recommendations for Improvement in our original Observation of Eagle Lake Park's Annual Physical Inventory of Fixed Assets. The recommendations contained herein are those of the original audit, followed by the current status of the recommendations.

1. Inventory Records For Communication Devices Are Inaccurate.

Communication devices assigned to Eagle Lake Park, based on the inventory list and the communication devices physically at the Park, did not match. PCR staff conducting the annual inventory advised that the communication devices on the inventory lists for all PCR locations are currently inaccurate. These inaccuracies are due to a recent event where the devices were collected and provided to a single location to receive system upgrades. Once the upgrades were completed, the devices were distributed to PCR locations without consideration being given to where the device was assigned.

Per Florida Administrative Code 69I-73 - Tangible Personal Property Owned by Local Governments, governmental units shall maintain adequate records of property in their custody. The data listed on the inventory forms shall be compared with the individual property records. Noted differences such as location, condition, and custodian shall be investigated and corrected as appropriate.

Per the Finance FA 300 Dept. Fixed Asset Processing Manual dated 2014, it is the responsibility of the department to ensure that asset records are complete and accurate. Through the Asset Workbench, department Users can make corrections to various data fields.

As a result of the inventory process, the details of the fixed asset records are verified for accuracy and any necessary adjustments and corrections are made. Incorrect asset inventory increases the risk of inefficient spending by the department for items they already have in inventory and can increase the risk of theft or misappropriation.

We recommended management:

- A. Investigate and update inventory records to ensure that asset records are complete and accurate for all communication devices.

- B. Establish and implement a procedure that the Fixed Asset Transfer Form (FATF) be used to document fixed asset transfers from one location to another within PCR.

Status:

- A. **Partially Implemented.** Management is in the process of taking corrective actions to update inventory records to ensure complete and accurate records for communication devices. PCR will assign radios to positions in lieu of radios being distributed and assigned by PCR location. The Property & Stores Clerk will maintain a radio tracking log, and unassigned radios will be stored with the Property & Stores Clerk, not at the park location.
- B. **Partially Implemented.** Management is updating and finalizing their fixed asset and annual physical inventory procedures to include appropriate actions for the transfer of assets.

2. Internal Transfers Are Not Documented.

Assets within the PCR inventory are currently allocated based on ownership rather than the actual physical location of the item. Inventoried assets have been borrowed and/or transferred from one PCR location to another. There are no records on file for these interdepartmental transfers.

Per *Florida Administrative Code 69I-73 - Tangible Personal Property Owned by Local Governments*, governmental units shall maintain adequate records of property in their custody. The data listed on the inventory forms shall be compared with the individual property records. Noted differences such as location, condition, and custodian shall be investigated and corrected as appropriate.

Per the *Finance FA 300 Dept. Fixed Asset Processing Manual* dated 2014, it is the responsibility of the department to ensure that asset records are complete and accurate. Through the Asset Workbench, department Users can make corrections to various data fields.

Conducting the annual inventory becomes more difficult and time consuming when assets appear on the inventory based on ownership rather than actual location. If items are loaned to another location, it would require the inventory taker to visit multiple locations to conduct their inventory. There is an increased risk that the inventory taker will inquire with the borrowing facility if the asset is there and may accept the word of the responder rather than verifying by physical presence. By requiring more time and travel to conduct the inventory, PCR is decreasing the efficiency and increasing the actual expense of conducting the inventory. With decreased efficiency, there is an increased risk that procedures will not be followed. When procedures are not followed, there is the increased risk of asset misappropriation. Additionally, with items not on the appropriate inventory listing, the items may not be timely reported as missing or may be incorrectly labeled as missing.

We recommended management establish and implement a procedure that the Fixed Asset Transfer Form (FATF) be used to document fixed asset transfers from one location to another within PCR. While this practice is deemed optional in the manual, it may be a viable solution for PCR as there is limited employee access to allow for necessary updates to the Asset Workbench within Oracle Financials. It is critical that the procedures include the requirement of the loaning department to retain a copy, forward a copy to the borrowing location with the actual asset, and forward a copy to the Property & Stores Clerk responsible for inventory control.

PCR is transitioning to a centralized inventory controller; the Property & Stores Clerk will be the assigned department user of the Asset Workbench. Completing the transfer documentation will provide the Clerk the necessary information to update the asset records through the Asset Workbench. Having the transfer document on file will be critical when the annual inventory is conducted to ensure the item is reflected on the appropriate inventory list and that the asset is accounted for during the inventory process.

Status:

Partially Implemented. Management is updating and finalizing their fixed asset and annual physical inventory procedures to include appropriate actions for the transfer of assets. The procedures will require a FATF be completed and signed by all required personnel when an asset is transferred externally or internally. The procedures will require a Temporary Loan Equipment Form be filled out and signed by the receiving and surrendering party when an asset is borrowed. A copy of all fixed asset forms will be sent to the Property & Stores Clerk and Accountant II for accurate recordkeeping of assets.

Additional quality control procedures are being implemented through PCR's centralized inventory controller, an Accountant II. The Accountant II will be the assigned department user of the Asset Workbench within Oracle Financials and responsible for updating the asset records. In addition, PCR's centralized inventory taker will be the Property & Stores Clerk.

We appreciate the cooperation shown by the staff of the Parks and Conservation Resources Department during the course of this review.