

**DEPARTMENT OF ADMINISTRATIVE SERVICES  
PURCHASING DIVISION**

**FOLLOW UP AUDIT OF  
TANGIBLE PERSONAL PROPERTY**

**REPORT NO. - 103007**

**October 2007**

Prepared by:  
Internal Audit Division  
Clerk of the Circuit Court



## MARYANNE MORSE

Clerk of the Circuit Court  
Seminole County

October 30, 2007

The Honorable Carlton Henley,  
Chairman  
The Board of County Commissioners  
Seminole County, Florida  
1101 East First Street  
Sanford, FL 32771

Dear Mr. Chairman:

I am very pleased to present you with the attached follow-up audit relating to Tangible Personal Property.

The original audit published in February 2006 produced six findings and recommendations. Management concurred with the findings and we are pleased to report the recommendations have largely been implemented.

I would like to thank the employees of Seminole County for their cooperation and assistance throughout the course of this audit. Their assistance is deeply appreciated. With warmest personal regards, I am

Most cordially,

Maryanne Morse  
Clerk of the Circuit Court  
Seminole County

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Clerk of the Circuit Court

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**Seminole County  
Department of Administrative Services  
Purchasing Division**

**Follow-up Audit of  
Tangible Personal Property**

The Internal Audit Division of the Office of the Clerk of the Circuit Court has completed an audit of the corrective actions taken as a result of the Tangible Personal Property Audit published in February 2006.

**BACKGROUND**

Seminole County owns and maintains three different types of property. They are:

1. **Capitalized Tangible Personal Property** – This is defined by the county as, “...all tangible personal property with original cost or value of \$1,000.00 or more, with a normal life expectancy of one (1) year or more, which is not fixed in place, not part of a structure or facility and is practicable to identify by marking.” Items included in this category are office equipment, office furniture, tools, equipment, vehicles, heavy industrial equipment and specialized tools.
2. **Other Tangible Personal Property (Operating Expense)** – This is property valued at less than \$1,000.00. These items are considered an “operating expense” to the county and are not capitalized.
3. **Real Property** – Property that includes real estate owned by Seminole County, (i.e. land, buildings, and roads) and construction in progress.

The Seminole County Purchasing and Contracts Division (County Purchasing) maintains the tangible personal property database. In addition, County Purchasing oversees the sale and disposal of the obsolete or retired tangible personal property. Various designated custodians have access rights to update asset inventory record information. County Finance is responsible for updating the asset records in the county’s general ledger.

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## SCOPE OF WORK

The scope of this audit included a review of the status of management's corrective action plans and included a review of the property records in existence as of June 30, 2007. All records relating to these assets were subject to review. All of the county divisions and other officials whose asset records are maintained by the county were subject to review:

The audit included:

- Review of the status of managements corrective action plans;
- Review of physical inventory listings;
- Sampling of physical inventory by physical inspection, electronic verification, or verification by maintenance records;
- Sampling of property maintenance records for compliance with county standards;
- Interviews with county personnel; and,
- Any other procedures considered necessary under the circumstances.

The audit was performed by Lewis Dundas and Bill Carroll.

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## OVERALL EVALUATION

The original audit published in February 2006 produced six findings and recommendations. Management concurred with the findings and has largely adopted the accompanying recommendations.

The original report Tangible Personal Property can be accessed on line at [www.seminoleclerk.org/BoardInfo/audits/default.shtm](http://www.seminoleclerk.org/BoardInfo/audits/default.shtm). Copies may also be obtained in BCC records or the Clerk's Office.

Overall, it is our opinion, that all corrective actions have been successfully implemented except for two. The following two conditions still exist:

- No written procedure has been established to reconcile the general ledger with the county's tangible data base.
- The feasibility of using bar code readers and/or year end inventory stickers is still being evaluated by management.

The original findings of the audit, our detailed recommendations, management's responses, and our follow up recommendations are included in the report that follows.

### ORIGINAL FINDING NO. 1

*There exists no comprehensive policy and procedure manual regarding tangible personal property, real property and other assets.*

#### Original Recommendation

Develop a comprehensive procedure manual to be used by all departments in the acquisition, disposition, and financial reporting of tangible personal property, real property and other assets. The following are some of the topics the manual should address:

- Reporting lost or stolen property (i.e. when to file a police report, who files the various reports, and how the reports are disseminated to the divisions);
- Changes in physical location of property (i.e. move orders, when are move orders required, who is responsible for updating property files, how to report when equipment or assets are moved);
- Guidelines on reporting estimated useful lives for financial reporting purposes;

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- Guidelines on reconciling the property records maintained by purchasing with the general ledger maintained by County Finance; and,
- Documentation requirements maintained at the division level.

### Management Response

There are effective policies and procedures in place regarding tangible personal property, which are located in the County Manager's policies and procedures on pages 70 to 73 (Articles XII and XIV). As stated on page 70, "Property control records are set up to comply with Florida Statute 274.02 and the Rules of the Auditor General". Although the Manual does list \$750.00 threshold for a tangible personal property, the next revision to the County Manager's policies and procedures will remove this threshold. Since our policies are set up to comply with the Florida Statutes, staff has not captured purchased fixed assets below \$1,000.00 since July 1, 2005 when this amount was changed by Florida Statutes. Staff was waiting for the FY 04/05 financial records to close out before removal of existing items valued \$750.00 to \$999.99 from inventory. When the County conducts an annual inventory of fixed assets, instructions are provided to each Department on the inventory process. If items are missing, lost, or stolen, each Department is required to document the removal of items from inventory by using standard forms. At anytime during the year, the Departments can fill out these reports and forward them to the Property Administrator. Subsequent to this audit report the missing items listed in this audit have this current status:

<u>Missing Items</u>	<u>Asset Number</u>	<u>Status</u>
Generator	03195	Documentation Received
Computer (Apple)	12806	Documentation Received
Radio/Scad Unit	19967	Investigating
RTU	21145	Investigating
Generator	21409	Documentation Received
Camera/Cues	24234	Investigating

Staff will be updating the County Manager's Policies and Procedures that will strengthen the following areas:

- Developed procedures for police and insurance reporting for items that can no longer be located.
- Changes of the location within the Department.
- Continue to remind the Department to dispose obsolete items.

The County will continue to work with Finance to reconcile all property records. There is currently no requirement to maintain documentation at Division level especially when policies and procedures indicate that the Department Directors are responsible for the inventory and submitting the list of tangible fixed assets items to be surplus.

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**Current Status – Corrective Action Completed**

County Purchasing has updated the policies and procedures manual to include detailed guidance for asset capitalization and control, and inventory guidelines and procedures for processing assets that are discovered during the annual inventory to be lost or stolen.

County Purchasing has implemented these requirements and has retired all assets not meeting the criteria for capitalization from the property accounts in accordance with policy.

County Purchasing has also removed missing assets discovered during inventory from the property records.

**ORIGINAL FINDING NO. 2**

*Some assets may be obsolete and no longer needed.*

**Original Recommendation**

1. Comply with proper disposal procedures in accordance with Florida Statute sections 274.05 "Surplus Property", and 274.06 "Alternative Procedures".
2. Fixed asset inventory procedures questionnaire should be developed to accompany all inventory taking. (See sample attached)
3. Expand the responsibilities of the division to include the condition of the assets on the inventory listing during the annual inventory.

**Management Response**

Each department is responsible for the operation and repair of departmental equipment. When equipment is no longer needed or considered obsolete by the department, an intranet form is completed by the department for each item and it is forwarded to the Property Administrator for the surplus process in accordance to established procedures. The fact that the County successfully surplused 874 items in FY 04/05 indicates that the policies and procedures are effective and in accordance with Florida State Statutes when dealing with obsolete and no longer needed items. The recommended sample for additional guidance during the inventory is a help and will be used.

**Current Status – Corrective Action Implemented**

The Seminole County Manager Policies Manual has been updated to include the review for obsolete or surplus property during the required annual inventory by each county department or division. These procedures appear to comply with the relevant sections 274.05 "Surplus Property" and 274.06 "Alternative Procedures" of the Florida Statutes.

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The audit test sample of tangible personal property and vehicles revealed no items in the inventory that were obsolete or surplus.

### ORIGINAL FINDING NO. 3

*Some assets are not being serviced in accordance with Fleet Maintenance Division's preventative maintenance schedule.*

#### Original Recommendation

1. For the assets identified as requiring service, schedule the maintenance as soon as possible.
2. During the course of the annual inventory, identify those assets that require maintenance or disposal.

#### Management Response

In the past, the preventative maintenance schedule was lacking on equipment that was not brought into Fleet to be serviced by Serco. Fleet has since implemented procedures that require preventative maintenance to be performed on equipment listed in the database. Of the assets identified in the audit, preventative maintenance has since been performed on all except the following:

<u>Asset No.</u>	<u>Comment</u>
3128	This is a bucket for an excavator that is maintained daily by the operator as part of the excavator PM, and does not have its own PM schedule.
19463	This is a pickup truck that was totaled in the summer of 2004. It was left on active status to enable documentation required for FEMA claim.
16333	This was turned in for surplus in 2005.

The determination of maintenance interval is done at the time of acquisition and at time of inventory. The determination of the maintenance due date is tracked by the fleet maintenance software system. The determination of condition requiring disposal via surplus, trade-in or cannibalization is done during a combination of regular maintenance, repair incidents and budget replacement review and planning.

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**Current Status – Corrective Action Implemented**

The audit sample of vehicles selected for testing were all agreed to the log of maintenance performed by SERCO. All vehicles sampled were serviced within the scheduled preventive maintenance intervals.

Therefore, it appears that Fleet Management is now applying preventive maintenance schedules to equipment in the database as stated in the prior audit response.

**ORIGINAL FINDING NO. 4**

*Assets identified during inventory are not properly labeled or marked.*

**Original Recommendation**

Update inventory instructions to include a requirement for those taking inventory to place a sticker on each asset, identifying when the item was inventoried.

**Management Response**

There is neither a requirement nor Florida Statute that requires inventory items to be labeled at time of inventory/inspection. This is a recommendation that could increase the accuracy of the inventory process. Staff prefers to use scanning technology with a bar code reader to validate the inventory process. Staff is working with the J.D. Edwards consultant to implement a bar code scanning system in conjunction with the annual inventory. If the bar code scanning cannot be implemented in time for inventory, then this recommendation will be provided to the Departments for inventory.

**Current Status – In process**

It is our understanding that the feasibility of using a bar code system is still being considered by management. The bar code system is the preferred method and the only issue keeping this system from being implemented is funding.

**ORIGINAL FINDING NO. 5**

*The county does not supervise the auction of surplus and obsolete property.*

**Original Recommendation**

A representative from Seminole County should attend the auction to oversee the process, account for all funds, and ensure that all reasonable efforts are made to sell all surplus property.

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**Management Response**

The recommendation is currently being implemented and the County will have a representative periodically attend these auctions. The auctioneer is a contracted service that the Property Administrator conducts an audit of to account for all items that were picked up by the auctioneer and reviews the itemized list of the proceeds against this pickup list.

**Current Status – Implemented**

The County continues to use George Gideon Auctioneers, Inc. to dispose at auction surplus and obsolete assets. The auction company assumes all responsibility for administration of the assets to sell and provides the county with an accounting of the sales made listing the descriptions of assets sold, the purchaser, the amount of the winning bid, the associated expenses and fees and the net amount due to the County.

County Purchasing represents that the auctions are periodically attended to assure that the auction company is conducting the auctions according to the contract and that the county is properly receiving the net proceeds of the sales. However, no reports, memos, or other written evidence documenting the auctions attended and any opinion or observations of the propriety of the auctions have been made.

**Recommendation**

We recommend that the Seminole County Manager Policies manual be updated to require the observation of auctions, the expected frequency, and that a written record be produced to document the auction attended. The record should include the employee's opinion regarding the adequacy of the auction company's management of control over the assets to be sold, the methods employed in obtaining the highest bid, and the accounting for and remittance of the proceeds.

**ORIGINAL FINDING No. 6**

*Some property records are not kept in accordance with the rules of the Auditor General's Office.*

**Original Recommendation**

Divisions should notify the property administrator of missing information on the equipment listings as applicable.

**Management Response**

There are missing data fields in the database but this missing data has not affected the identification of items during the inventory process. In the future, staff will notify Departments for assistance in completing the missing information in the database.

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**Current Status – Corrective Action Implemented**

The State of Florida Auditor General promulgates rules for local governments to follow to comply with Florida Law based in its interpretation of applicable statutes.

The prior audit cited a sufficient number of instances where individual property records were not in compliance with the rules of the Auditor General due to missing information. County Purchasing addressed this issue in the Seminole County Manager Policies manual by listing all the information about a particular piece of capitalized tangible personal property to be captured and recorded in the property records to comply with the rules.

Based on the results of audit testing, these procedures have been sufficiently implemented to maintain the tangible personal property records in accordance with the rules of the Auditor General.

**Audit Comment**

As part of the audit, we attempted to reconcile the detailed tangible personal property records inventory maintained by County Purchasing with the general ledger property accounts maintained by County Finance.

We were unable to reconcile the detailed tangible personal property inventory reports provided by the Purchasing Department and used to conduct the annual physical inventories to the general ledger. This is because the inventory reports are detailed by the location of the asset and the general ledger is not. There is no report or other inquiry program available that can stratify the general ledger balance by location to allow the reconciliation of the detailed property records report to the general ledger. This may be due to limitations in the JD Edward's software. Therefore there appears to be no objective way of determining the completeness of the inventory reports used to conduct the inventory.

**Recommendation**

We recommend that County Finance and County Purchasing develop a process that provides a method for reconciling the detailed asset inventory reports used to conduct the annual inventories to the general ledger to assure that the value of the assets reported in the county financial statements agrees to the physical inventory observed.

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