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REPORT NO. 2022-15

TO: Joseph Lauro, Director
Administrative Services Department

FROM: Melissa Dondero, Inspector General/Chief Audit Executive *md*
Division of Inspector General

DIST: Ken Burke, CPA, Clerk of the Circuit Court and Comptroller
Jeanette Phillips, Chief Deputy Director, Finance Division
Donald Moore, Division Manager, Fleet Management Services
The Honorable Chairman and Members of the Board of County Commissioners
Barry Burton, County Administrator
Kevin Knutson, Assistant County Administrator

SUBJECT: Inspector General's Observation of the Fleet Management Services Annual
Physical Inventory of Surplus Fixed Assets

DATE: August 15, 2022

This letter serves to inform you that the Division of Inspector General completed its observation of the annual physical inventory of surplus fixed assets for Fleet Management Services (Fleet Management) on April 7, 2022.

Our objectives 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 assets recorded by staff.

Our 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.



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We conclude that the physical inventory of surplus fixed assets performed by Fleet Management was in compliance with required inventory procedures, and our sample tests agreed with those of your staff for the majority of assets observed. However, two assets could not be located during our fixed assets inventory observation, and Oracle asset records were inaccurate. The issues are noted below.

1. Asset Tags #88196 And #99524 Did Not Have Documentation To Confirm If Fleet Management Sold Them At Auction.

During our observation of Fleet Management's assets in the "Surplus.FieldEquip.REM" (Field Equipment) and "Surplus.FleetSurplus.REM" (Fleet Surplus) asset locations on April 7, 2022, and during subsequent testing from April 2022 through May 2022, we discovered two asset tags that either did not have enough or any documentation to verify that Fleet Management sold them at auction. At the time of our testing, Fleet Management could not determine exactly where or when they sold asset tag #99524. The Finance Division stated it had documentation showing asset tag #99524 was marked to go to auction in fiscal year 2018. However, the Finance Division did not have a check or other documentation to verify the asset's sale. At the time of our testing, Fleet Management did not have records of asset tag #88196, and the Finance Division could not determine the facts regarding the asset's sale.

Fleet Management receives transferred assets from Pinellas County (County) departments which it records under the Fleet Surplus and Field Equipment asset locations. Fleet Management labels Fleet Surplus assets as rolling stock assets which are transportation equipment and vehicles. Field Equipment assets transferred to Fleet Management are both rolling stock assets and non-rolling stock assets. On behalf of the County, Fleet Management sends rolling stock assets from the Fleet Surplus and Field Equipment asset locations to auctions. At the time of our testing, Fleet Management was using Tampa Machinery Auction, Inc. (TMA) as the auction company to sell the assets.

Fleet Management delegated the current process of preparing the assets for auction and completing the auction process to the Fixed Asset Record Keeper (Record Keeper). The Record Keeper at the time of testing took over the process in the latter half of 2020. As explained by the Record Keeper, two different methods exist to auction the assets from the two asset locations. For the assets in the Fleet Surplus location, the department delivers the asset to the Fleet Management main facility. The Record Keeper determines a cap amount of assets that Fleet Management will include in the upcoming auction. Once the number of assets in the Fleet Surplus location reaches the cap, the Record Keeper assigns the assets the same auction number. The Record Keeper performs a physical inventory of the assets and then contacts TMA to tow the assets to the auction location. The assets remain at the auction location free of charge until they are purchased.

Regarding the Field Equipment location assets, a department may or may not deliver an asset to the Fleet Management main facility depending on the use of the asset. Some non-rolling stock assets transferred from other fixed asset locations are not delivered to Fleet Management for auction physically because they are integral components of other

assets in the field. For the Field Equipment non-rolling stock assets departments deliver to Fleet Management, the Record Keeper transports them to the Surplus warehouse which handles auctioning the assets. The Record Keeper explained the departments deliver Field Equipment rolling stock assets to the Fleet Management main facility where the Record Keeper prepares them for transport to the auction location.

Asset tag #99524 was a rolling stock asset, and asset tag #88196 was a non-rolling stock asset. Both assets were recorded in the Field Equipment asset location. Fleet Management stated it would conduct the necessary research and work with the Finance Division, if required, to determine the state of the unaccounted-for tags.

The Finance Division's "Dept. FA Processing" (FA 300) course guidelines state the inventory Record Keeper is responsible for maintaining accurate inventory records, and the Inventory Contact is responsible for verifying the location and details of a department's inventory. In addition, the Finance Division's FA 300 course guidelines state the inventory Record Keeper is responsible for researching unaccounted-for assets pending departmental audit (PDA). PDA status means the asset is missing, and the status will be removed when the asset is located.

If assets cannot be located, the Record Keeper should follow the Finance Division's FA 300 course guidelines for missing assets which state the following:

"Attach Unaccounted (U/A) for Property Form if marked:

- *U/A 1st year - explain why it is not presumed stolen*
- *U/A 2nd year - request removal from inventory"*

Fleet Management had not determined the cause of asset tags #88196 and #99524 being unaccounted-for assets. The status of these assets is PDA.

Unaccounted-for assets in the County create the risks of inaccurate inventory records and the theft of assets. Assets the County possibly sold at auctions that do not have the consequential documentation create the risk of revenue loss.

We Recommend Management:

- A. Make a reasonable effort to locate asset tags #88196 and #99524.
- B. Complete an "Unaccounted For Property Form" for each asset tag that cannot be located. The Fixed Asset Custodian and Director must sign the completed form before submitting it to Fixed Assets.

Management Response:

A - B. **Management Concurs.** Recommended actions are detailed in the fixed asset physical inventory documents and are reasonable. However, the procedures or the audit report do not address the standard applicable to variances in fixed assets

and associated records. This information is essential to assure commensurate security and resources in surplus asset management. The surplus fixed asset storage areas are freely accessible by County personnel during and after normal business hours, and undocumented fixed asset deliveries and removals have occurred. Additionally, record updating tasks often involve error-prone paper-based document flows and entries to multiple applications. If the expected standard is no variances in inventory and recordkeeping, enhancements to site security and administrative workflows are warranted. Fleet Management will make an effort to locate assets 88196 and 99524 to determine if they were indeed sold at auction; if they cannot be located, Fleet Management will complete the necessary "Unaccounted for Property Form" and forward to Finance.

The Record Keeper subsequently confirmed Fleet Management found asset tag #88196 at the Fleet Management main facility but did not have documentation explaining how the asset arrived at this location.

2. Fleet Management Asset Records Were Inaccurate.

During our observation and testing of Fleet Management's Fleet Surplus and Field Equipment assets from April 2022 through May 2022, Fleet Management stated its staff and the Finance Division needed to update the Oracle asset records for the Field Equipment and Fleet Surplus asset locations because it sold the assets. We provided Fleet Management a copy of the Oracle PIN FA Custom Inventory Report on April 5, 2022, because our review of the report revealed that none of the asset records on the report for the Fleet Surplus location matched the assets listed in Fleet Management's upcoming auction. Fleet Management reviewed the Oracle PIN FA Custom Inventory Report and, on April 5, 2022, determined the inconsistencies were due to all the assets already being sold. When we inquired about the state of the Field Equipment asset records in the Oracle PIN FA Custom Inventory Report, Fleet Management stated it had already sold those assets with the exception of two assets noted as PDA in the preceding Opportunity for Improvement.

Therefore, the Oracle PIN FA Custom Inventory Report, which the Finance Division requires departments to use to perform their annual physical inventory, was inaccurate. Consequently, we used a listing of assets for an upcoming auction instead of the Oracle PIN FA Custom Inventory Report to perform our fixed asset observation.

On April 19, 2022, to consolidate assets and remedy the issue of inaccurate record-keeping, Fleet Management coordinated with the Finance Division to create a new Surplus location named "Surplus.FleetRollingStk.REM" (Fleet Rolling Stock). Since the two locations, Fleet Surplus and Field Equipment, served the same purpose for Fleet Management, management decided the department would discontinue using those asset locations and relocate all asset records to the new location Fleet Rolling Stock until they were retired and research was concluded on the PDA assets. Moving forward, the Fleet Rolling Stock asset location will be used to record all future rolling stock assets awaiting auction.

As of July 11, 2022, according to the Oracle PIN FA Custom Inventory Report, there was a total of 14 asset records that remained in the Fleet Surplus and Field Equipment asset locations, 12 of which were in Fleet Surplus, and the other 2, referenced in the preceding Opportunity for Improvement as PDA, were in Field Equipment.

Asset records that Fleet Management plans to transfer to the Fleet Rolling Stock asset location should be moved before next year's annual physical inventory starts. Assets Fleet Management sold in auctions but remained on the Oracle PIN FA Custom Inventory Report need to be retired by the Finance Division.

The Finance Division's FA 300 course guidelines state:

"Record Keepers are responsible for assigning and affixing physical asset tags, replacing lost tags, and maintaining accurate and complete capital asset records. They must make sure Oracle asset records are correct, initiate external transfers in iAssets, prepare internal and surplus transfers and may assist with and/or perform the annual inventory."

The Finance Division's FA 300 course guidelines also state:

"Transfers of assets between divisions on the same department are processed in the Asset Workbench by Department Users. The Fixed Asset Transfer Form (FATF) may be used by the department as an internal tracking document, but this is optional."

The Finance Division is responsible for receiving payment from the auction company and updating the Oracle asset records to retire the asset records. There are timing delays between Fleet Management selling assets and the Finance Division receiving payments and retiring asset records. The timing delays and organizational transitions in the Finance Division caused the Oracle asset records for the two locations to be out of sync with the state of the assets Fleet Management had in its possession. The creation of the new asset location to supplant the preceding two asset locations created the need for Fleet Management to transfer the remaining asset records to the new asset location.

The two Surplus asset locations that Fleet Management plans to clear and discontinue using creates the risk of ongoing inaccurate record-keeping due to asset records in Oracle still showing the two asset locations holding assets. Asset records recorded in the wrong asset location in Oracle and asset records that are to be retired that still exist in Oracle create the risk of inefficient annual physical inventories conducted by Fleet Management and the lack of knowledge on whether assets were sold or not.

We Recommend Management:

- A. Collaborate with the Finance Division to ensure the Oracle asset records of sold assets are retired.

- B. Transfer the remaining asset records from the Fleet Surplus and Field Equipment asset locations to the recently created Fleet Rolling Stock asset location until the assets are retired and research concludes on any PDA assets. Once complete, the Field Surplus and Field Equipment asset locations should be deactivated.

Management Response:

- A - B. **Management Concurs.** Again the recommended actions are reasonable, but the ultimate accountability for asset record accuracy must rest with the process owner, the entity that makes entries to the system of record. Fleet Management staff must provide timely and accurate information, but system reports require timely and accurate entry. Fleet Management shall verify after auction to ensure rolling stock and other assets Fleet Management is responsible for have been deducted properly from the asset inventory by Clerk's Finance. In addition, all asset records from the Fleet Surplus and Field Equipment asset locations will be transferred to the Fleet Rolling Stock asset location until each asset is retired, after which each asset location will be deactivated.

We appreciate your staff's cooperation during this audit.

MD/SP