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REPORT NO. 2021-22

TO: Carol Stricklin, Director
Housing and Community Development 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
The Honorable Chairman and Members of the Board of County Commissioners
Barry Burton, County Administrator
Tommy Almonte, Assistant County Administrator

SUBJECT: Inspector General's Follow-Up Audit of the Observation of the Planning Division's Annual Physical Inventory of Fixed Assets

DATE: October 25, 2021

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 the Planning Division. 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 assets 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 months of September through October 2021. The original observation of the annual physical inventory of fixed assets was completed on June 16, 2020. 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the original audit report, we determined management implemented one recommendation and two of the recommendations were no longer applicable. We commend management on the implementation of the recommendation.

Below reports our follow-up on actions taken by management on the recommendations for improvement in our original Observation of the Planning Division'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.

At the time of the original audit, the audit entity was known organizationally as the Planning Department. Therefore, all subsequent references from the original audit report use that organizational name.

The Planning Department Asset Records Are Not Complete And Accurate.

During our observation of the Planning Department's annual physical inventory of fixed assets (inventory observation), we found several asset records that were not complete and accurate. The Planning Department's inventory report listed 62 fixed assets. Our sample consisted of "book to floor" (25 assets selected from the inventory report and traced to their physical location) and "floor to book" (eight assets observed during the physical inventory and traced to the inventory report) testing; 33 assets in total (53% of the department's total assets) were tested.

There were six asset records with discrepancies or 18% of the sample. Listed below are the details of the asset record discrepancies.

- The following four assets are laptops that were released to Business Technology Services (BTS), but are still included on the Planning Department's inventory report:
 1. Asset tagged 122486
 2. Asset tagged 125239
 3. Asset tagged 125697
 4. Asset tagged 127860

The fixed asset record keeper (record keeper) explained that BTS replaced several laptops in the Planning Department in conjunction with the County's computer replacement program. However, the Planning Department record keeper did not complete the "Fixed Asset Surplus Transfer Form" for the transfer of laptops.

The Finance Division's "Dept. FA Processing" (FA 300) course guidelines, in the Capital Asset Forms section, states:

"Record Keepers are responsible for ...maintaining accurate and complete capital asset records. They must make sure Oracle asset records are correct."

The "Fixed Asset Surplus Transfer Form" is required to be completed by the record keeper for assets transferred to surplus or external departments. Completion instructions on the "Fixed Asset Surplus Transfer Form" state the following:

"Original: Signed by Releasing & Receiving Custodians, Witness & Transport, Surplus and/or Fleet as applicable, then Submitted to Finance, Fixed Assets Copies: Releasing, Receiving, Surplus and/or Fleet Dept. should maintain a copy for their departmental Fixed Asset records."

- Asset tagged 124468, a large monitor in the Planning Department's conference room, selected for the "floor to book" sample, was not included on the Planning Department's inventory report. The Oracle Fixed Asset system (Oracle) reflects the asset's assignment is Building and Development Review Services (BDRS). The record keeper stated that in 2017, BDRS staff ordered the monitor in addition to one for their own department. The Planning Department's budget was used to purchase the monitor. The asset was not properly coded when it was added to Oracle on October 1, 2017. Subsequently, the Planning Department and BDRS did not prepare the "Fixed Asset Surplus Transfer Form" to correct the asset's location during their 2018 and 2019 annual physical fixed asset inventories.

The Finance Division's, "Dept. FA Processing" (FA 300) course guidelines for recording tangible property states the "Asset Addition Form is Required" as part of the overall documentation to record the asset. The "Asset Addition Form" must include the Oracle location.

Instructions for preparing the "Fixed Asset Surplus Transfer Form" state the following:

"External Transfer - The last option in this section is the transfer of an asset to another department. Please enter the name of the department that will be receiving the equipment. Dept/Div # Enter the department and division to which the asset is being transferred. This information should be entered by the department that is receiving the asset. Fund/Center # - This field needs to be completed only if the last box in Section 2 is selected. Enter the fund and cost center to which the asset will be assigned. This information should be entered by the department that is receiving the asset."

- During our inventory observation, the record keeper was unsure as to the location of asset tagged 118606 (HP ProBook). Therefore, we were unable to observe the asset. The Planning Department's inventory report reflects the asset's location as the Lealman Exchange Building, a satellite location of the Planning Department. However, the asset's description on the inventory report states "Laptop-R911 Storage Room, PSC 10750 Ulmerton, RM 248." Subsequent to our inventory observation, we obtained the following information from staff at Safety and Emergency Services (Regional 911 Division) and the Surplus Department, the asset's previous locations:
 - On April 6, 2018, the HP ProBook was transferred to the Surplus Department by the Regional 911 Division. The transfer included five additional HP ProBooks.
 - On September 17, 2018, the Surplus Department transferred the six HP ProBooks acquired from the Regional 911 Division to the Planning Department. The Planning Department's record keeper did not update the asset's description to reflect Lealman as the new location.
 - On July 3, 2019, the Planning Department transferred five of the HP ProBooks back to the Surplus Department after BTS determined the HP ProBooks could not be updated to the current version of the Windows application. Asset tagged 118606 was not included with the transfer.

The Finance Division's "Annual Inventory Process" procedures state the following:

"Any items not located must be marked with the status 'U/A' beside the asset number. The department must make every effort to locate this 'Unaccounted For' property. In the event that the asset is not found, a written explanation of why the Department believes the asset is not stolen or destroyed shall be submitted to Finance. Finance will update the asset record accordingly. If an asset has been 'U/A' for two consecutive inventories, the department must complete and submit an Unaccounted For Equipment Form. The asset will be transferred by Finance to the 'Unaccountable' location in Oracle."

The Finance Division's fixed asset guidelines were not complied with. Staff did not complete the asset transfers and the asset addition in accordance with the Finance Division's fixed asset processing guidelines. The Finance Division will not update the asset record in Oracle if the "Fixed Asset Surplus Transfer Form" is not prepared, signed, and submitted by the department. Inaccurate and incomplete asset records will result in non-compliance with the Finance Division's fixed assets guidelines and state and local requirements governing asset financial record keeping and physical safeguarding of County owned assets.

Under the authority of Florida Statutes, Chapter 274, "TANGIBLE PERSONAL PROPERTY OWNED BY LOCAL GOVERNMENTS," Florida Administrative Code, Rule Chapter 691-73, Tangible Personal Property Owned by Local Governments, provides the adopted rules for recording local government assets (tangible assets).

Florida Rule 691.73.002, Threshold for Recording Property, states the following:

"All property with a value or cost of \$1,000 or more and a projected useful life of 1 year or more shall be recorded in the local government's financial system as property for inventory purposes."

The Finance Division's, "Dept. FA Processing" (FA 300) course guidelines state the following:

"The purpose of the Dept. FA Processing course is to increase departmental awareness of state and local requirements governing asset financial record keeping and physical safeguarding of County owned assets, to provide information regarding policies and procedures, discuss recent processing changes and demonstrate system functionality."

We Recommended Management:

- A. Prepare, sign, and forward to the Finance Division the "Fixed Asset Surplus Transfer Form" for assets tagged 122486, 125239, 125697, and 127860 to correct the asset records in Oracle. Per the "Fixed Asset Surplus Transfer Form" instructions, the record keeper should maintain a copy for their departmental fixed asset records.
- B. Prepare, sign, and forward to the Finance Division the "Fixed Asset Surplus Transfer Form" for asset tagged 124468 to correct the asset's location in Oracle.
- C. Update the inventory status of asset tagged 118606 as follows:
 - Document the asset as unaccounted for property in accordance with the Finance Division's "Annual Inventory Process" procedures.
 - Delete the asset's current description in Oracle which reflects the asset is located at the Regional 911 Division.

Status:

- A. **Implemented.** Management completed and submitted the "Fixed Asset Surplus Transfer Form" for assets tagged 122486 and 125239 to the Finance Division in 2020. The asset tagged 122486 was transferred to the Surplus Department, and the asset tagged 125239 was transferred to BTS. The Planning Division clarified that BTS did possess both assets tagged 125697 and 127860 during the original audit but only to complete the configuration for the laptops to use the Permits Plus software. BTS deployed both assets to the Planning Division after completing the configuration. Management assigned assets tagged 125697 and 127860 to employees in its Zoning Section.
- B. **No Longer Applicable.** This recommendation is no longer applicable because the asset tagged 124468 is not being transferred to a new fund and cost center. Oracle records indicate asset tagged 124468 was expensed to BDRS and assigned to its

Code Enforcement Division. BDRS is aware asset tagged 124468, which was considered unaccounted for by BDRS in 2020, is located in the Planning Division's conference room. BDRS's director approved the continued use of asset tagged 124468 by the Planning Division on September 10, 2020. Finance Division management communicated to us that neither BDRS nor Planning has to submit a "Fixed Asset Surplus Transfer Form" since asset tagged 124468 is not being transferred to a different fund/center. Finance Division management provided us information regarding the process to update inventory records to reflect an asset's location change. For this situation, BDRS has the option of emailing the Finance Division the location of asset tagged 124468 to update the inventory records, or BDRS can update its inventory records during the next annual inventory to reflect the location of asset tagged 124468. We communicated this information to the BDRS director on September 24, 2021, who acknowledged receipt and stated BDRS would examine its inventory records to determine if any action has already been taken or should be taken.

- C. **No Longer Applicable.** This recommendation is no longer applicable because the Planning Division found asset tagged 118606 in July 2020 and sent it to the Surplus Department in March 2021 by completing a "Fixed Asset Surplus Transfer Form."

We appreciate the cooperation shown by the staff of the Planning Division during the course of this review.