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## Division of Inspector General

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### Report No. 2021-16

TO: Megan Ross, Director  
Utilities Department

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

MD

DIST: Ken Burke, CPA, Clerk of the Circuit Court and Comptroller  
Jeanette Phillips, Chief Deputy Director, Finance Division  
Hillary Weber, Deputy Director, Utilities Department  
Alan Bollenbacher, Director, Utilities Maintenance Division  
The Honorable Chairman and Members of the Board of County Commissioners  
Barry Burton, County Administrator  
Jill Silverboard, Deputy County Administrator/Chief of Staff

SUBJECT: Inspector General's Observation of the Utilities South General Maintenance  
Division's Annual Physical Inventory of Fixed Assets

DATE: August 30, 2021

This letter serves to inform you that the Division of Inspector General completed its observation of the annual physical inventory of fixed assets for the Utilities South General Maintenance Division (SGMD) on July 13, 2021.

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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Inspector General

We conclude that the SGMD's physical inventory was performed in compliance with required inventory procedures, and our sample tests agreed with those of your staff for the majority of assets observed. However, four assets could not be located during our fixed assets inventory observation, and six assets were missing asset tags. The issues are noted below.

### 1. Four Utilities Assets Were Unaccounted For.

Four assets could not be located during our fixed assets inventory observation. We performed an onsite observation of the SGMD's annual fixed assets physical inventory on July 13, 2021. Prior to our onsite observation, we randomly selected 50 assets, or 12.7%, from SGMD's fixed assets inventory report, which included water (W-SGMD) and sewer (S-SGMD) location assets.

The table below lists the four assets that were unaccounted for along with asset details.

Location	Asset Description/ Comment	Manufacturer	Serial Number	Tag Number	Current Cost*	Net Book Value (NBV)*
S-SGMD	Cleaner	Electric Eel	1110	90784	\$6,763	\$0
W-SGMD	Bullet	Grundomat	15178	118732	\$4,630	\$1,479
W-SGMD	Radio	Motorola	837CUZ6623	127975	\$1,626	\$928
S-SGMD	Plate Compactor	Kushland Production	KPC160W00178	129564	\$1,574	\$1,399

\* Rounded to nearest dollar.

Subsequent to our fixed assets inventory observation, management performed research to locate the missing assets. However, the assets could not be located prior to the conclusion of its annual physical fixed assets inventory.

A majority of the SGMD's assets were tools and equipment. Tools and equipment have a greater risk of theft, especially when they are left untracked. Often, tools and equipment get circulated within different departments or across different locations. This practice increases the risk associated with misplacement, loss, and theft.

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

*"The goal of the inventory is to maintain control of County assets by physically locating each asset assigned to a particular location on an annual basis. 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."*

The Record Keeper's role is to research unaccounted for assets with a status of Pending Departmental Audit, which means the assets are missing. If assets cannot be located, the

Record Keeper should follow the Finance Division's FA 300 guidelines for missing assets, which state the following:

***"Attach Unaccounted for Property Form if marked:***

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

**We Recommend Management** document the annual physical assets inventory results in accordance with the Finance Division's FA 300 guidelines for missing assets.

**Management Response:**

**Management Concur.** We agree with the recommendation and will ensure that all missing assets are documented in accordance with the Finance Division's FA 300 guidelines. This will be added to our current internal standard operating procedures.

**2. Six Utilities Assets Were Missing Asset Tags.**

Asset tags were missing on 6 of the 50 assets, or 12%, selected in the sample for our onsite observation of SGMD's annual fixed assets inventory.

During our observation, we noted six assets were not tagged and more difficult to identify. The following table summarizes the assets that did not have an asset tag affixed:

Location	Asset Description/ Comment	Manufacturer	Serial Number	Tag Number	Current Cost*	NBV*
W-SGMD	Locator	Heath	1801	95094	\$3,522	\$0
S-SGMD	Spreader	Ultra Shore	N/A	104199	\$4,310	\$0
S-SGMD	Spreader	Ultra Shore	N/A	104200	\$4,410	\$0
W-SGMD	Bullet	Grundomat	7182	118728	\$3,074	\$982
W-SGMD	Diaphragm Pump	Wacker Neuson	24489118	129611	\$1,692	\$1,563
S-SGMD	Hammer Kit	Makita	85361	129934	\$1,681	\$1,552

\*Rounded to nearest dollar.

The Inventory Contact Person and/or Record Keeper should ensure that all assets have asset tags when conducting the annual physical fixed assets inventory. If asset tags are missing, replacement tags should be requested promptly.

Management stated it can be difficult to keep asset tags on some of its equipment. Some assets are placed underground, and the ability to keep asset tags affixed becomes challenging. Subsequent to our fixed assets inventory observation, we contacted the Finance Division to inquire as to what alternate procedures are available to identify and track tag numbers for assets that cannot keep the asset tag affixed. Finance Division staff suggested the following alternate procedures the Record Keeper could employ:

- Affix the asset tag where it will least likely fall off
- Use a permanent ink marker to write the asset tag number on the asset, maintain a list of the associated asset tag number(s), and safeguard the physical asset tag(s)

The process to identify assets during the inventory becomes more cumbersome when assets are missing asset tags. In addition, the risk for theft or loss increases when assets are not properly tagged.

Asset tags are used to monitor and track a department's physical assets. The Finance Division's FA 300 guidelines state "Property of Pinellas County" asset tags are:

- *"Assigned to assets valued at \$1,000.00 or more*
- *Record Keeper should affix the tag to the asset ASAP"*

The Finance Division's Annual Physical Inventory Checklist procedures state the following:

*"The Department Director is responsible for the annual physical inventory; the assigned Inventory Contact will document the inventory. The department's Record Keeper should verify that all new assets are properly tagged; complete the applicable forms, and review the PDA (Pending Departmental Audit) Report. The Inventory Contact will be responsible for recording the inventory results on the Inventory Report, verifying that the Oracle location on the inventory report agrees with the physical location of the asset, and verifying that the asset number, description, manufacturer, model and serial number agree."*

#### **We Recommend Management:**

- A. Submit the Finance Division's "Fixed Assets Replacement Tag Request Form" for the six assets missing asset tags.
- B. Use the Finance Division's suggested alternate procedures for tagging assets where assets are at risk of losing their physical tags.

#### **Management Response:**

- A. **Management Concurs.** A request for new tags will be submitted to Finance, through the "Fixed Assets Replacement Tag Request Form," for all assets missing tags. This process will be added to our standard operating procedures.
- B. **Management Concurs.** We will be identifying all asset equipment utilized in harsh/rough environments that have a high probability to lose their tags out in the

field. We have developed a process to safeguard the asset tags while using approved alternative tagging procedures.

We appreciate your staff's cooperation during this audit.