



Florida Department of TRANSPORTATION

Office of Inspector General

Robert E. Clift, Inspector General 

Audit Report No. 15P-1005
District Four ITS Inventory

June 27, 2016

What We Did

The Office of Inspector General (OIG) conducted an audit of the Intelligent Transportation System's (ITS) adherence to the Department of Transportation's (department) procedural requirements for the proper accountability and reporting of tangible personal property (TPP).

What We Found

We determined the District Four ITS office has made substantial efforts to comply with the Procedure No. 350-090-310, Tangible Personal Property requirements for internal controls over TPP. District Four ITS fully complied with three of the four provisions tested in the procedure and has not fully complied with the provision concerning properly tagging and recording items.

Of the 177 items tested (131 preselected and 46 randomly selected onsite):

- 100 items (56%) were appropriately tagged and entered correctly into FLAIR;
- 3 untagged items (2%) were appropriately determined not to be TPP.
- 72 items (41%) had incorrect location codes recorded in FLAIR;
- 1 item (<1%) had an incorrect serial number recorded in FLAIR; and
- 1 item (<1%) was improperly tagged.

What We Recommend

We do not have any recommendations. We informed the District Four ITS Manager of the incorrect location codes and serial numbers during the course of the audit. In response, the inaccuracies were corrected prior to completion of this engagement.

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BACKGROUND AND INTRODUCTION

In November 2012, the OIG initiated a three-part engagement to evaluate Intelligent Transportation System's (ITS) internal controls for the information technology environment, operations and maintenance contracts, and inventory accountability. The OIG issued Audit Report No. 13P-5002a on November 25, 2013, detailing the evaluation of internal controls for the ITS information technology. Audit Report No. 13P-5002b was issued March 14, 2014, detailing the evaluation of internal controls for the ITS operations and field device maintenance contracts. Due to an absence of Department procedures regarding ITS TPP and inconsistent identification of TPP by all districts, the third part of the engagement was deferred until procedures could be updated and the districts could comply with the procedures.

The department's Procedure No. 350-090-310, Tangible Personal Property (procedure), effective January 14, 2015, defines requirements regarding proper accountability and financial reporting related to all department TPP. The procedure states:

“For control purposes, ITS equipment within a traffic management center (TMC) will be considered tangible personal property and will follow the requirements set forth in this procedure. This equipment will be recorded with the prefix “HW”. The “HW” prefix signifies that this is highway equipment, as opposed to an “NH” prefix, which represents non highway items.” (Section 14)

Additionally, the procedure requires equipment, fixtures, and other TPP of non-consumable and non-expendable nature with a value of \$1,000 or more, plus any exception items, be entered into FLAIR and include the purchase price, location, and serial numbers. Blocks of property numbers are assigned to the Property Delegate in each district, office, or Turnpike Enterprise by the Office of the Comptroller's General Accounting Operations Property and Insurance Section to prevent duplication of property identification numbers. Each TPP item should be physically identified by a property bar code decal or assigned an inventory card if a decal cannot be affixed to the property. The property bar code decals and inventory cards should include the following information:

- property identification number;
- property description;
- property location; and
- property serial number, if applicable.

Other important requirements of the procedure are completing a physical inventory of all property once a year, conducting a physical inventory of all property when custodians change, and documenting collection of TPP from separated employees.

RESULTS OF REVIEW

We determined the District Four ITS office has made substantial efforts to comply with the Procedure No. 350-090-310, Tangible Personal Property requirements for internal controls over TPP. District Four ITS fully complied with three of the four provisions tested in the procedure and has not fully complied with the provision concerning properly tagging and recording items.

Of the 177 items tested (131 preselected and 46 randomly selected onsite):

- 100 items (56%) were appropriately tagged and entered correctly into FLAIR;
- 3 untagged items (2%) were appropriately determined not to be TPP.
- 72 items (41%) had incorrect location codes recorded in FLAIR;
- 1 item (<1%) had an incorrect serial number recorded in FLAIR; and
- 1 item (<1%) was improperly tagged.

The results of our testing are further explained below.

Results of Preselected Sample Testing

The District Four Active Property File contained 458 items, with a value of \$1,000 or greater in three locations. We initially identified 86 items in our preselected sample to inventory onsite, selecting a judgmental sample of 10% of the 458 items listed on the active property inventory record for the Ft Lauderdale location, and 100% of the 33 items listed for West Palm Beach and 7 items listed for Ft Pierce locations. Upon arrival at the Ft Pierce and West Palm Beach locations, there were additional items on site not listed in the active property inventory; therefore, a 100% inventory for the West Palm Beach and Ft Pierce locations was conducted.

We tested a judgmental sample of 131 items, including:

- 46 (10% of total) of the 458 TPP items at the Fort Lauderdale location;
- 35 (100%) of the TPP items at the West Palm Beach location; and
- 50 (100%) of the TPP items at the Fort Pierce location.

We determined all 131 preselected sample items were properly tagged. However, 71 (63%) of the TPP items tested had incorrect location codes recorded in FLAIR, and 1 item had an incorrect serial number recorded in FLAIR.

Results of Onsite Sample Testing

To conduct this test, we judgmentally selected items located within the Fort Lauderdale location to determine if they were listed on the Active Property File and met the conditions of the procedure. Based on the population size of 458 items we selected 46 (10%) items for testing.

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We determined 3 of the 46 untagged items selected were not TPP. Of the remaining 43 items, 41 were accurately tagged and recorded in FLAIR, 1 had an incorrect location code recorded in FLAIR, and 1 was improperly tagged.

Results of Testing Purchases to Physical Inventory and FLAIR

We obtained and reviewed 12 voucher packages¹ and identified 18 purchased TPP items with a value of \$1,000 or greater. We reviewed the 18 items and their corresponding Purchase Management Request (PMR) forms for testing.

We determined all 18 tested TPP items had properly completed PMR forms by District Four ITS. We also verified the district property delegate entered the information for each item into FLAIR.

Verify Compliance with Tangible Personal Property Procedure

We determined the office is making substantial efforts to comply with the Procedure No. 350-090-310, Tangible Personal Property requirements for internal controls over TPP. District Four fully complied with three of the four provisions tested in the procedure.

1. **FLAIR Property Subsystem Annual Inventory:** Verified by the January 21, 2016 Property Inventory Certification Statement.
2. **Physical Inventory Completed for change in Unit Custodian:** There was no change in unit custodian during the test period.
3. **TPP collected from separated employees:** Verified the Notice of Separation form was completed. The employee was not assigned any TPP.
4. **TPP Items Properly Tagged:** 74 of the 177 items tested were inaccurately tagged (1 item), had inaccurate FLAIR location codes (72 items), or had an incorrect serial number recorded in FLAIR (1 item). Part of properly tagging is recording accurate information in FLAIR.

Conclusion

We concluded many of the inaccuracies in FLAIR were due to the staff being unaware of unique assigned location codes for each building in FLAIR. The inventory auditor was using a prefilled PMR form with the location code for the Fort Lauderdale location.

TPP items with inaccurate location codes and inaccurate serial numbers may not accurately reflect the value of department property for insurance coverage in the event of a disaster or loss at a specific location. In addition, incorrect serial numbers may affect the warranty and service coverage provided by the vendor, especially in the event of updating or replacing components within the device.

¹ Based on FLAIR expenditure detail for FY 2013/14 and 2014/15.

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We do not have any recommendations. We informed the District Four ITS Manager of the incorrect location codes and serial numbers during the course of the audit. In response, the inaccuracies were corrected prior to completion of this engagement.

APPENDIX A – Purpose, Scope, and Methodology

Section 20.055, Florida Statutes, requires the OIG to conduct audits, examinations, investigations, and management reviews related to programs and operations of the department. This audit was performed as part of the OIG’s mission to promote accountability, integrity, and efficiency for the citizens of Florida by providing objective and timely audit and investigative services.

The **purpose** of the District Four ITS Inventory process was to determine if ITS operations have appropriate controls in place to comply with department standards for inventory accountability and reporting.

The **scope** of this review included all ITS TPP located in TMCs and backup sites.

The **methodology** included:

- Interviewing ITS staff;
- Determining compliance with department procedures for inventory by testing internal controls for tangible personal property including:
 - Completion of required annual inventory;
 - Tangible personal property tagging;
 - Physical inventory performed for changes in unit custodian;
 - Tangible personal property collected from separated employees;
- Verifying accuracy of items recorded in FLAIR by comparing ITS records maintained in the district with records recorded in FLAIR;
- Identifying all tangible personal property purchases for the district and verifying each item was accurately tagged and recorded in FLAIR; and
- Selecting a judgmental sample of tangible personal property items both recorded in FLAIR and at the site locations to evaluate internal controls and compliance with the department’s procedures.

APPENDIX B – Management Response

District Four ITS management responded by email on June 23, 2016 with no comments regarding the report.

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DISTRIBUTION, PROJECT TEAM, AND STATEMENT OF ACCORDANCE

Official Distribution:

Gerry O'Reilly, P.E., Secretary, District Four
Courtney Drummond, P.E., Director of Transportation Operations
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Project Team:

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Approved by: Robert E. Clift, Inspector General

Statement of Accordance

*The mission of the department is
to provide a safe transportation system that ensures the mobility of people and goods,
enhances economic prosperity, and preserves the quality of our environment and communities.*

*The mission of the Office of Inspector General is
to promote integrity, accountability, and process improvement in the Department of
Transportation by providing objective fact-based assessments to the DOT team.*

This work product was prepared pursuant to section 20.055, Florida Statutes, in accordance with the applicable Principles and Standards for Offices of Inspectors General as published by the Association of Inspectors General, and the International Standards for the Professional Practice of Internal Auditing as published by The Institute of Internal Auditors.

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