



Florida Department of TRANSPORTATION

Office of Inspector General
Robert E. Clift, Inspector General

A handwritten signature in blue ink, reading "Robert E. Clift".

Audit Report No. 16P-1001
District Seven ITS Inventory

July 21, 2016

What We Did

The Office of Inspector General (OIG) conducted an audit of the District Seven 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 Seven ITS office has made substantial efforts to comply with the Procedure No. 350-090-310, Tangible Personal Property (procedure) requirements for internal controls over TPP. District Seven ITS fully complied with three of the four provisions tested in the procedure and had not fully complied with the provision concerning properly tagging and recording items.

Of the 152 items tested, (100 preselected and 52 randomly selected on-site):

- 132 items (87%) were appropriately tagged and entered correctly into the Florida Accounting Information Resource (FLAIR);
- 6 items (4%) were not tagged;
- 1 item (<1%) had an incorrect tag number recorded in FLAIR;
- 3 items (2%) had incorrect serial numbers recorded in FLAIR; and
- 10 items (7%) had incorrect location codes recorded in FLAIR.

We also determined through testing a sample of 32 purchased TPP items that 5 (16%) items did not have properly completed Purchase Management Request (PMR) forms and correct information in FLAIR.

What We Recommend

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

TABLE OF CONTENTS

| | |
|---|---|
| <u>BACKGROUND AND INTRODUCTION</u> | 3 |
| <u>RESULTS OF REVIEW</u> | 4 |
| Results of Preselected Sample Testing | 4 |
| Results of On-Site Sample Testing | 4 |
| Result of Testing Purchases to Physical Inventory and FLAIR | 5 |
| Verify Compliance with Tangible Personal Property Procedure | 5 |
| Conclusion | 5 |
| <u>APPENDIX</u> | |
| A. Purpose, Scope, and Methodology | 7 |
| B. Management Response | 8 |
| <u>DISTRIBUTION, PROJECT TEAM, AND STATEMENT OF ACCORDANCE</u> | 9 |

BACKGROUND AND INTRODUCTION

In November 2012, the OIG initiated a three-part engagement to evaluate Intelligent Transportation Systems (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 Tangible Personal Property (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, to be entered into FLAIR and include the purchase price, location, and serial numbers. Each block of property numbers are assigned to the Property Delegate in each district, office, or Turnpike Enterprise by the Office of Comptroller, General Accounting Office (OOC-GAO), 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 be assigned an inventory card, if the property cannot practically be identified with a decal. 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 Seven 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 Seven ITS fully complied with three of the four provisions tested in the procedure and had not fully complied with the provision concerning properly tagging and recording items.

Of the 152 items tested, (100 preselected and 52 randomly selected on-site):

- 132 items (87%) were appropriately tagged and entered correctly into FLAIR;
- 6 items (4%) were not tagged;
- 1 item (<1%) had an incorrect tag number recorded in FLAIR;
- 3 items (2%) had incorrect serial numbers recorded in FLAIR; and
- 10 items (7%) had incorrect location codes recorded in FLAIR.

We also determined through testing a sample of 32 purchased TPP items that 5 (16%) items did not have properly completed PMR forms and correct information in FLAIR.

The results of our testing are further explained below.

Results of Preselected Sample Testing

The District Seven Active Property File contained 501 TPP items, with a value of \$1,000 or greater in three locations, of which we selected and tested a judgmental sample of 100 items, including:

- 82 (18%) of the 445 TPP items at the TMC;
- 14 (27%) of the 52 TPP items located in the Traffic Operations Section; and
- 4 (100%) of the 4 TPP items at the Gantry Building.

We determined 90 items were properly tagged. However, of the TPP items tested, one item was not properly tagged (a console in the control room) and nine items were recorded inaccurately in FLAIR. Of the nine items, three had incorrect serial numbers and six had incorrect location codes.

Results of On-Site Sample Testing

To conduct this test, we judgmentally selected items located within the TMC, Gantry Building, and the Traffic Operations Section, to determine if they were listed in the Active Property File and met the conditions of the procedure. Based on the population size of 501 items, we selected 52 (10%) items for testing.

We determined 47 of the 52 items tested were tagged and recorded in FLAIR and 5 items were not tagged or recorded in FLAIR. The five untagged items were servers located at the Gantry Building. Additionally, 5 (11%) of the 47 were recorded

inaccurately in FLAIR. Of these five items, one had an incorrect asset tag number and four had incorrect location codes.

Results of Testing Purchases to Physical Inventory and FLAIR

We obtained and reviewed 110 voucher packages¹ and identified 176 purchased possible TPP items with a value of \$1,000 or greater. We judgmentally selected 32 (18%) of the 176 items and requested the corresponding PMR forms for testing.

We determined that 27 (84%) of the 32 TPP items tested had properly completed PMR forms and correct information in FLAIR. Five items (16%) did not have PMR forms completed, were not tagged, and were not entered 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 Seven fully complied with three of the four provisions tested in the procedure.

1. **FLAIR Property Subsystem Annual Inventory:** Verified by the January 30, 2016 Property Inventory Certification Statement.
2. **Physical Inventory Completed for change in Unit Custodian:** There was no change in the Unit Custodian during the test period.
3. **TPP collected from separated employees:** Verified the Notice of Separation form was completed and all assigned items were received from the separated employee.
4. **TPP Items Properly Tagged:** 20 of the 152 items tested did not have a property tag (6 items), or had inaccurate FLAIR locations (10 items), serial numbers (3 items) or tag numbers (1 item). We also determined through testing a sample of 32 purchased TPP items that 5 items were not properly tagged. Part of being properly tagged is having accurate information recorded in FLAIR.

Conclusion

We concluded items not being tagged may have been due to equipment installation after hours when the property delegate was not present.

TPP items with no asset tags, 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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Florida Department of Transportation**

We do not have any recommendations. We informed the District Seven ITS Manager of the untagged items, 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 Seven 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 Seven ITS management responded by email on July 19, 2016 with no comments regarding the report.

**Office of Inspector General
Florida Department of Transportation**

DISTRIBUTION, PROJECT TEAM, AND STATEMENT OF ACCORDANCE

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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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