



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-1002
District Two ITS Inventory

August 11, 2016

What We Did

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

Of the 139 items tested (95 preselected and 44 randomly selected onsite):

- 64 items (46%) were appropriately tagged and correctly entered into the Florida Accounting Information Resource (FLAIR);
- 31 items (22%) were not tagged and not recorded in FLAIR;
- 23 items (17%) had incorrect serial numbers recorded in FLAIR;
- 14 items (10%) had incorrect location codes recorded in FLAIR;
- 5 items (4%) had incorrect asset tags; and
- 2 items (1%) were not located:
 - A 32 inch monitor with a value of \$1,038.25.
 - One piece of a three piece set described as "equipment rack seven and equipment (two pieces)" with a total value of \$30,000.

The 31 untagged items were improperly grouped under existing asset tags and not assigned individual asset tags.

We also determined through testing a sample of seven purchased TPP items that four (57%) items did not have properly completed Purchase Management Request (PMR) forms and correct information in FLAIR.

What We Recommend

We informed the District Two ITS Manager of the items without asset tags, inaccurate location codes, inaccurate serial numbers, and inaccurate asset tags during the course of the audit. In response, the District Two office personnel submitted documentation to update FLAIR and correct the inaccuracies. **We recommend** the District Two ITS Manager monitor to ensure the corrective actions have been completed.

We also recommend the District Two ITS Manager complete a Notification of Missing Property form as detailed in the procedure¹ for property that cannot be located.

¹ Based on Procedure No. 350-090-310, Tangible Personal Property section 10.2.

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

Of the 139 items tested (95 preselected and 44 randomly selected onsite):

- 64 items (46%) were appropriately tagged and correctly entered into the Florida Accounting Information Resource (FLAIR);
- 31 items (22%) were not tagged and not recorded in FLAIR;
- 23 items (17%) had incorrect serial numbers recorded in FLAIR;
- 14 items (10%) had incorrect location codes recorded in FLAIR;
- 5 items (4%) had incorrect asset tags; and
- 2 items (1%) were not located:
 - A 32 inch monitor with a value of \$1,038.25.
 - One piece of a three piece set described as “equipment rack seven and equipment (two pieces)” with a total value of \$30,000.

The 31 untagged items were improperly grouped under existing asset tags and not assigned individual asset tags.

We also determined through testing a sample of seven purchased TPP items that four (57%) items did not have properly completed Purchase Management Request (PMR) forms and correct information in FLAIR.

The results of our testing are further explained below.

Results of Preselected Sample Testing

The District Two Active Property File contained 95 TPP items with a value of \$1,000 or greater in the two TMC locations, of which we tested all 95 items, including:

- 52 TPP items at the Urban Office TMC
- 43 TPP items at the North Florida Regional TMC (NFR TMC)

We determined 58 items were properly tagged. However, of the TPP items tested, 2 items were not located, 2 items had missing asset tags, 3 items had incorrect asset tags, and 30 items were incorrectly recorded in FLAIR. Of the 30 items incorrectly recorded in FLAIR, 8 had incorrect location codes and 22 had incorrect serial numbers.

We could not locate two items during the preselected sample testing. The two items were a 32 inch monitor with a value of \$1,038.25, and one piece of a three piece set described as “equipment rack seven and equipment (two pieces)” with a total value of \$30,000.

Results of Onsite Sample Testing

To conduct this test, we judgmentally selected items located within the TMC locations to determine if the items were listed on the Active Property File and met the conditions of the procedure. Based on the population size of 95 items, we selected 44 (46%) items for testing, 40 items from the NFRTMC and 4 items from the Urban Office TMC.

We determined 13 of the 44 items tested were tagged and recorded in FLAIR and 31 items were not tagged or recorded in FLAIR. The 31 items were 16 monitors, 12 workstations, 2 laptops, and 1 printer all located in the NFRTMC. These items were included on PMR forms from groups of items assigned under one existing asset tag. The items should have been assigned individual asset tags. Additionally, 7 (54%) of the 13 items were recorded inaccurately in FLAIR. Of these 7 items, 6 had incorrect location codes and 1 had an incorrect serial number.

We also observed furniture with a value of \$1,000 or greater, purchased for the NFRTMC building in the lump sum contract, was not properly tagged. TPP purchased through contracts, including individual furniture pieces or modular furniture sets, must be identified and properly tagged as detailed in the procedure.²

Results of Testing Purchases to Physical Inventory and FLAIR

We obtained and reviewed 43 voucher packages³ and identified 7 purchased TPP items with a value of \$1,000 or greater. We reviewed the 7 items and their corresponding PMR forms for testing.

We determined three (43%) of the seven items tested had properly completed PMR forms and correct information in FLAIR. Four (57%) items did not have properly completed PMR forms and resulted in incorrect information in FLAIR. The items were not assigned individual asset tags and were grouped together on two different PMR forms. One of the seven tested TPP items was assigned to another cost center.

Verify Compliance with Tangible Personal Property Procedure

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

1. **FLAIR Property Subsystem Annual Inventory:** Verified by the January 14, 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.

² Based on Procedure No. 350-090-310, Tangible Personal Property sections 4.1 and 6.3.1.

³ Based on FLAIR expenditure detail for FY 2013/14 and 2014/15.

3. **TPP collected from separated employees:** There were no separated ITS employees.
4. **TPP Items Properly Tagged:** 75 of the 139 items tested did not have a property tag (31 items), or were not located (2 items), or had inaccurate FLAIR serial numbers (23 items), location codes (14 items), or asset tags (5 items). We also determined through testing a sample of seven purchased TPP items that four items were not properly tagged. Part of being properly tagged is having accurate information recorded in FLAIR.

Conclusion

We concluded the District Two inaccuracies may have been due to the following:

- incorrect information recorded on the PMR form;
- incorrect information entered in FLAIR;
- the packing slip serial number was utilized for recording purposes on the PMR form and not the serial number recorded on the item; and
- furniture with a value of \$1,000 or greater, purchased as part of the building contract, had not been identified, tagged, and recorded in FLAIR.

TPP items without asset tags, inaccurate location codes, inaccurate serial numbers, and inaccurate asset tags 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.

We informed the District Two ITS Manager of the items without asset tags, inaccurate location codes, inaccurate serial numbers, and inaccurate asset tags during the course of the audit. In response, the District Two office personnel submitted documentation to update FLAIR and correct the inaccuracies. **We recommend** the District Two ITS Manager monitor to ensure the corrective actions have been completed.

We also recommend the District Two ITS Manager complete a Notification of Missing Property form as detailed in the procedure⁴ for property that cannot be located.

⁴ Based on Procedure No. 350-090-310, Tangible Personal Property sections 10.2.

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 Two 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 ITS TPP located in the TMC and backup site.

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 Two ITS management responded by email on August 5, 2016, and concurred with the findings and recommendations. Corrective action has an anticipated completion date of September 30, 2016.

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

DISTRIBUTION, PROJECT TEAM, AND STATEMENT OF ACCORDANCE

Action Official Distribution:

Greg Evans, P.E., District Two Secretary
 Phil Bishop, P.E., Director of Transportation Operations
 Jerry Ausher, P.E., District Traffic Operations Engineer
 Peter Vega, P.E., ITS TSM&O Program Manager
 Joshua Reichert, P.E., ITS Operations Manager

Information Distribution:

Jim Boxold, Secretary
 Mike Dew, Chief of Staff
 Brian Blanchard, P.E., Assistant Secretary of Engineering and Operations
 Phillip Gainer, P.E., Chief Engineer
 Trey Tillander, P.E., Acting Director, Office of Traffic
 Engineering & Operations
 Fred Heery, P.E., State TSMO&O Program Engineer
Melinda Miguel, Chief Inspector General, Executive Office of the Governor

Project Team:

Engagement was conducted by Danielle Myrick, Audit Team Leader
 Michelle Candies, Tiffany Hurst, and Shannel Turnbull
Under the supervision of:
 Joseph W. Gilboy, Audit Manager; and
 Kristofer B. Sullivan, Director of Audit
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 Inspector 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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