



Florida Department of TRANSPORTATION

Office of Inspector General
Robert E. Clift, Inspector General

A handwritten signature in blue ink, appearing to read "Robert E. Clift", with a horizontal line extending to the right.

Audit Report No. 16P-1004
District Five ITS Inventory

September 30, 2016

What We Did

The Office of Inspector General (OIG) conducted an audit of the District Five 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 Five ITS office has made efforts to comply with the provisions of Procedure No. 350-090-310, Tangible Personal Property (procedure) for internal controls over TPP. District Five 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 207 items tested (112 preselected and 95 selected onsite):

- 92 items (44%) were appropriately tagged and entered correctly into the Florida Accounting Information Resource (FLAIR);
- 39 untagged items (19%) were appropriately determined not to be TPP;
- 56 TPP items (27%) were not tagged and not recorded in FLAIR;
- 2 TPP items (<1%) had incorrect serial numbers recorded in FLAIR; and
- 18 TPP items (9%) had incorrect location codes recorded in FLAIR.

We also determined through testing a sample of 23 purchased TPP items that 4 items (17%) 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 Five 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.

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

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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 Five ITS office has made efforts to comply with the Procedure No. 350-090-310, Tangible Personal Property requirements for internal controls over TPP. District Five 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 207 items tested (112 preselected and 95 selected onsite):

- 92 items (44%) were appropriately tagged and entered correctly into FLAIR;
- 39 untagged items (19%) were appropriately determined not to be TPP;
- 56 TPP items (27%) were not tagged and not recorded in FLAIR;
- 2 TPP items (<1%) had incorrect serial numbers recorded in FLAIR; and
- 18 TPP items (9%) had incorrect location codes recorded in FLAIR.

We also determined through testing a sample of 23 purchased TPP items that 4 items (17%) 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 Five Active Property File contained 194 TPP items with a value of \$1,000 or greater and items that qualified as exemptions in three locations, of which we tested 112 items, including:

- 29 TPP items at the Orlando TMC;
- 51 TPP items at the Deland TMC backup; and
- 32 TPP items at the Central Florida Regional Transportation Authority (LYNX) - Road Rangers.

We determined all 112 TPP items were properly tagged. However, 20 (18%) of the items were recorded inaccurately in FLAIR; 2 had incorrect serial numbers and 18 had incorrect location codes.

Results of Onsite Sample Testing

To conduct this test, we selected 100 possible TPP items available onsite at the District Five Orlando TMC, Deland TMC backup, LYNX, and three warehouses (Deland District warehouse, TransCore, and ACS-Metric). Of the 100 items, 5 items were not ITS owned property, 39 items were not TPP, and the other 56 items were TPP items not tagged and not recorded in FLAIR (District Five staff indicated that 8 of the items not tagged will be surplus).

Results of Testing Purchases to Physical Inventory and FLAIR

We obtained and reviewed 18 voucher packages¹ and identified 119 purchased TPP items with a value of \$1,000 or greater. We judgmentally selected 23 (19%) of the 119 items and reviewed the corresponding PMR forms for testing.

We determined 16 (70%) of the 23 items tested had properly completed PMR forms and correct information in FLAIR. Four purchased items² did not have properly completed PMR forms, were not tagged, and were not entered in FLAIR. The other three items were established not to be ITS TPP.

Verify Compliance with Tangible Personal Property Procedure

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

1. **FLAIR Property Subsystem Annual Inventory:** Verified by the January 31, 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:** 76 of the 207 items tested did not have a property tag (56 items), or had inaccurate serial numbers recorded in FLAIR (2 items), or had inaccurate location codes recorded in FLAIR (18 items). We also determined through testing a sample of 23 purchased TPP items that 4 items were not properly tagged. Part of being properly tagged is having accurate information recorded in FLAIR.

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

² Based on Procedure No. 350-090-310, Tangible Personal Property Section 4.1.

Conclusion

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

- PMRs were not completed and submitted to the Property Delegate for the request of property tags;
- not updating location codes in FLAIR during the annual inventory scanning and/or when location changes occur; and
- incorrect information entered in FLAIR.

TPP items without 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.

We do not have any recommendations. We informed the District Five 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.

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 Five ITS Inventory process review 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 the TMC, TMC backup, and warehouses.

The **methodology** included:

- Interviewing ITS staff;
- Determining compliance with department procedures for inventory by testing internal controls for TPP including:
 - Completion of required annual inventory;
 - TPP tagging;
 - Physical inventory performed for changes in unit custodian;
 - TPP 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 TPP for the district and verifying each item was accurately tagged and recorded in FLAIR; and
- Selecting a judgmental sample of TPP 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 Five Traffic Operations management responded by email on September 23, 2016, with the following response:

This engagement has been extremely beneficial to District Five Traffic Operations (including ITS). Through this process we have had the opportunity to clarify many aspects of the inventory process and update historical records that were generated before the 2015 Procedure update. There are still some areas of TPP tagging that could benefit from further clarification in future revisions to the Procedure. We also expect to see further need for clarification as technology advances and produces more questions on what should or should not be tagged.

We have assigned staff responsibilities for annual reviews in accordance with Procedure. We will also perform unofficial quarterly sampling of records for quality assurance reviews in an effort to catch any issues or areas where clarification is needed before the annual review.

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

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

STATEMENT OF ACCORDANCE

The department's mission 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 Office of Inspector General's mission 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 Association of Inspectors General *Principles and Standards for Offices of Inspector General*, and conforms with The Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing*.

Please address inquiries regarding this report to the department's Office of Inspector General at (850) 410-5800.