**Office of Inspector General
Robert E. Clift, Inspector General**

Audit Report No. 16P-1006   February 20, 2017
Turnpike Enterprise ITS Inventory

What We Did

The Office of Inspector General (OIG) conducted an audit of the Turnpike Enterprise (Turnpike) 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 Turnpike ITS office has made efforts to comply with Procedure No. 350-090-310, Tangible Personal Property (procedure) requirements for internal controls over TPP. Turnpike 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 220 TPP items tested (120 preselected and 100 onsite):
- 195 items (88%) were appropriately managed:
  - 168 items (76%) were appropriately tagged and entered into FLAIR;
  - 23 untagged items (10%) were appropriately determined not to be ITS TPP; and
  - 4 tagged items (2%) were determined to be property of another cost center.
- 25 items (11%) were identified with the following discrepancies:
  - 6 items (3%) were not tagged but recorded in FLAIR;
  - 1 item (<1%) was not tagged and not recorded in FLAIR;
  - 3 items (1%) were tagged but not recorded in FLAIR;
  - 1 item (<1%) was improperly tagged and recorded in FLAIR;
  - 10 items (5%) had incorrect location codes;
  - 2 items (1%) had incorrect serial numbers;
  - 1 item (<1%) had an incorrect location code and serial number; and
  - 1 item (<1%) had an incorrect description.

We also determined through testing the 45 purchased TPP items that 4 items (8%) with properly completed Purchase Management Request (PMR) forms were incorrectly recorded in FLAIR and 6 items (13%) did not have properly completed PMRs.

What We Recommend

During the course of the audit, we informed the District Traffic Operations Engineer of all inaccuracies, including TPP items not recorded in FLAIR, missing PMRs, and incorrect location codes, descriptions, and serial numbers recorded in FLAIR. Turnpike ITS staff have made corrections to 10 of the 25 ITS TPP discrepancies identified. **We recommend** the District Traffic Operations Engineer ensure all corrective actions are completed.

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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 Turnpike ITS office has made efforts to comply with Procedure No. 350-090-310, Tangible Personal Property requirements for internal controls over TPP. Turnpike 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 220 TPP items tested (120 preselected and 100 onsite):
- 195 items (88%) were appropriately managed:
  - 168 items (76%) were appropriately tagged and entered into FLAIR;
  - 23 untagged items (10%) were appropriately determined not to be ITS TPP; and
  - 4 tagged items (2%) were determined to be property of another cost center.
- 25 items (11%) were identified with the following discrepancies:
  - 6 items (3%) were not tagged but recorded in FLAIR;
  - 1 item (<1%) was not tagged and not recorded in FLAIR;
  - 3 items (1%) were tagged but not recorded in FLAIR;
  - 1 item (<1%) was improperly tagged and recorded in FLAIR;
  - 10 items (5%) had incorrect location codes;
  - 2 items (1%) had incorrect serial numbers;
  - 1 item (<1%) had an incorrect location code and serial number; and
  - 1 item (<1%) had an incorrect description.

We also determined through testing the 45 purchased TPP items that 4 items (8%) with properly completed Purchase Management Request (PMR) forms were incorrectly recorded in FLAIR and 6 items (13%) did not have properly completed PMRs.

The results of our testing are further explained below.

Results of Preselected Sample Testing

The Turnpike Active Property File contained 399 TPP items, in 3 locations, of which we tested 120 items:
- 11 items in Pompano at the Florida Highway Patrol (FHP) Troop K/L Dispatch;
- 45 items in Pompano at the Annex and Turnpike Traffic Operations; and
- 64 items in Orlando at the Turnpike Headquarters and Turkey Lake Traffic Operations.

We determined 102 TPP items were properly tagged and recorded in FLAIR. However, 12 of the items were recorded inaccurately in FLAIR; 10 had incorrect location codes, 1 had an incorrect serial number, and 1 had an incorrect location code and serial number. Also, 1 item was improperly tagged and recorded in FLAIR, and 5 items were not tagged, but recorded in FLAIR.

Results of Onsite Sample Testing

To conduct this test, we selected 100 possible TPP items onsite in 2 locations:
- 62 items in Orlando at the Turkey Lake Traffic Operations; and
- 38 items in Pompano at the Annex.

Of the 100 items tested, 66 were appropriately tagged and entered correctly in FLAIR and 23 untagged items were appropriately determined not to be ITS TPP. However, 4 tagged items were determined not to be ITS TPP, 1 item had an incorrect description in FLAIR, 1 item had an incorrect serial number in FLAIR, 1 item was not tagged but recorded in FLAIR, 1 item was not tagged and not recorded in FLAIR, and 3 items were tagged but not recorded in FLAIR.

Results of Testing Purchases to Physical Inventory and FLAIR

We obtained and reviewed 2 purchase order packages[1] and the yearly reconciled Goods and Services spreadsheet[2] for FY 2013/14 and 2014/15 from Turnpike's Headquarters. We identified 45 purchased items[3] with a value of $1,000 or greater. We reviewed the 45 items and corresponding PMR forms for testing.

We determined 35 (78%) of the 45 items tested had properly completed PMR forms and correct information in FLAIR. However, 4 items with properly completed PMRs were incorrectly recorded in FLAIR, and 6 items did not have properly completed PMR forms.

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. Turnpike fully complied with three of the four provisions tested in the procedure.

1. **FLAIR Property Subsystem Annual Inventory:** Verified by the January 29, 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:** There were no separated ITS employees during the test period.
4. **TPP Items Properly Tagged**: 25 of the 220 items tested did not have a property tag but was recorded in FLAIR (6 items), or not tagged and not recorded in FLAIR (1 item), or were tagged but not recorded in FLAIR (3 items), or were improperly tagged and recorded in FLAIR (1 item), or had incorrect location codes recorded in FLAIR (10 items), or had incorrect serial

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[1] Based on Turnpike Enterprise/Omnipoint Monopole Lease Agreement with T-Mobile
[2] Based on the reconciled T-Mobile Ordered Goods and Services received for FY 2013/14 and 2014/15
[3] Based on Procedure No. 350-090-310, Tangible Personal Property Section 4.1.

numbers recorded in FLAIR (2 items), or had an incorrect location code and serial number recorded in FLAIR (1 item), or had an incorrect description recorded in FLAIR (1 item). We also determined through testing 45 purchased items, that 4 items with properly completed PMRs were incorrectly recorded in FLAIR, and 6 items did not have properly completed PMRs. Part of being properly tagged is having accurate information recorded in FLAIR.

Conclusion

We concluded the Turnpike inaccuracies may have been due to the following:
- incorrect information entered in FLAIR;
- location codes in FLAIR not updated as changes occur;
- PMRs were not completed and submitted to the Property Delegate for the request of property tags;
- PMRs not completed accurately or reviewed before submitting to the Property Delegate for request of property tags; and
- PMRs submitted for input into FLAIR were not verified or confirmed after completion.

TPP items without asset tags, incorrect location codes, and incorrect 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.

During the course of the audit, we informed the District Traffic Operations Engineer of all discrepancies, including TPP items not recorded in FLAIR, missing PMRs, and incorrect location codes, descriptions, and serial numbers recorded in FLAIR. Turnpike ITS staff have made corrections to 10 of the 25 ITS TPP discrepancies identified. **We recommend** the District Traffic Operations Engineer ensure all corrective actions are completed.

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 Turnpike 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 TMCs and backup sites.

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 Turnpike with records recorded in FLAIR;
- Identifying all TPP for the Turnpike 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

Florida Department of Transportation

RICK SCOTT
GOVERNOR

Florida's Turnpike Enterprise
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RACHEL D. CONE
INTERIM SECRETARY

MEMORANDUM

DATE: February 13, 2017

TO: Kristopher B. Sullivan, CIA, CISA, FDOT Director of Audit
Joseph Gilboy, FDOT Performance and IT Audit Manager

FROM: John Easterling, Turnpike District Traffic Operations Engineer

COPIES: Paul Wai, Turnpike Director of Transportation Operations
Trey Tillander, Director of Traffic Engineering and Operations Office
Fred Heery, State TSM&O Program Engineer
Eric Gordin, Turnpike Assistant District Traffic Operations Engineer

SUBJECT: Response to Turnpike ITS Inventory Audit Preliminary & Tentative Report

This memorandum is a written response to the 16P-1006 Turnpike Enterprise ITS Inventory Audit Preliminary & Tentative report, issued by the Office of Inspector General to Turnpike's Traffic Operations staff on January 13, 2017, and discussed on a teleconference earlier the same day. The below findings were communicated in this P&T report and a response by this office follows.

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

Of the 220 TPP items tested (120 preselected and 100 onsite):

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We also determined through testing the 45 purchased TPP items that 4 items (8%) with properly completed Purchase Management Request (PMR) forms were incorrectly recorded in FLAIR and 6 items (13%) did not have properly completed PMRs.

Recommendation: We recommend the District Traffic Operations Engineer ensure all corrective actions are completed.

Response to Finding: We concur with the finding and recommendation.

Corrective Action:

Thanks to the OIG auditors working so closely with us during the earlier phase of the audit, and with the support of the Turnpike Property Department, we have already been able to correct the remaining Tangible Personal Property (TPP) discrepancies.

In an effort to prevent future discrepancies, we have reviewed each of the errors and determined the TPP errors were primarily data input errors into FLAIR. In an effort to reduce these types of errors, we have initiated a quality review procedure. Further, the Traffic Operations cost center is instituting a series of internal steps to improve the process for how all property/equipment is initially tagged, relocated, and disposed of at end of serviceable life.

Estimated Completion Date:

It is anticipated that all remaining documentation of the identified issues and a written list of steps for above referenced QA process will be completed by Friday, March 10, 2017. The District Traffic Operations Engineer will perform check of quality assurance program and communicate with staff by the same date.

DISTRIBUTION

Responsible Manager:
John Easterling, P.E., PTOE, District Traffic Operations Engineer
Eric Gordin, P.E., Assistant Traffic Operations Engineer

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Rachel Cone, Interim Secretary, Department of Transportation
Mike Dew, Chief of Staff and Legislative Programs
Brian Blanchard, P.E., Assistant Secretary of Engineering and Operations
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Trey Tillander, P.E., Director, Office of Traffic Engineering and Operations
Fred Heery, P.E., State Transportation Systems Management and Operations (TSM&O) Program Engineer
Tom Byron, P.E., Assistant Secretary of Intermodal Systems Development
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PROJECT TEAM

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Approved by:
Robert E. Clift, Inspector General

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.