



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. 17P-1001
District One ITS Inventory

February 13, 2017

What We Did

The Office of Inspector General (OIG) conducted an audit of the District One 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 One ITS office has made efforts to comply with Procedure No. 350-090-310, Tangible Personal Property requirements for internal controls over TPP. District One ITS fully complied with two of the four provisions tested in the procedure. District One ITS has not complied with the provisions concerning:

- properly tagging and recording items; and
- conducting a complete physical inventory for any changes in custodian or custodian's delegate. The Office of Comptroller Property Office Manager was contacted and recommended District One Traffic Operations (cost center 162) conduct their regularly scheduled annual inventory January or February 2017 since this noncompliance was discovered close to the end of the year.

Of the 243 items tested (190 preselected and 53 selected onsite):

- 197 items (81%) were appropriately tagged and entered correctly into the Florida Accounting Information Resource (FLAIR);
- 14 items (6%) were tagged, but not recorded in FLAIR;
- 2 items (1%) were improperly tagged and recorded in FLAIR;
- 8 items (3%) had incorrect serial numbers recorded in FLAIR; and
- 22 items (9%) had incorrect location codes recorded in FLAIR.

We also determined through testing a sample of 30 purchased items that 4 items (13%) did not have properly completed Property Management Report (PMR) forms and correct information in FLAIR.

What We Recommend

During the course of the audit, we informed the District One ITS Manager of the items inaccurately tagged, not recorded in FLAIR, missing PMRs, and incorrect serial numbers and location codes recorded in FLAIR. District One staff has initiated corrections of the ITS TPP discrepancies identified. **We recommend** the District One ITS Manager ensure the corrective actions have been 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 District One ITS office has made efforts to comply with Procedure No. 350-090-310, Tangible Personal Property requirements for internal controls over TPP. District One ITS fully complied with two of the four provisions tested in the procedure. District One ITS has not complied with the provisions concerning:

- properly tagging and recording items; and
- conducting a complete physical inventory for any changes in custodian or custodian's delegate.

Of the 243 items tested (190 preselected and 53 selected onsite):

- 197 items (81%) were appropriately tagged and entered correctly into the Florida Accounting Information Resource (FLAIR);
- 14 items (6%) were tagged, but not recorded in FLAIR;
- 2 items (1%) were improperly tagged and recorded in FLAIR;
- 8 items (3%) had incorrect serial numbers recorded in FLAIR; and
- 22 items (9%) had incorrect location codes recorded in FLAIR.

We also determined through testing a sample of 30 purchased items that 4 items (13%) 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 One Active Property File contained 351 TPP items, in 2 locations, of which we tested 190 items:

- 129 items in Ft. Myers at the Regional Transportation Management Center (RTMC), the TransCore warehouse, and in the field; and
- 61 items in Bradenton at the Satellite Transportation Management Center (STMC).

We determined 171 were properly tagged. However, 2 were improperly tagged and recorded in FLAIR, 4 had incorrect serial numbers in FLAIR, and 13 had incorrect location codes in FLAIR.

Results of Onsite Sample Testing

To conduct this test, we selected 53 possible TPP items onsite at the District One RTMC and STMC locations. Of the 53 items tested; 26 were appropriately tagged and entered correctly in FLAIR, 14 were tagged but not recorded in FLAIR, 9 had incorrect location codes in FLAIR, and 4 had incorrect serial numbers in FLAIR.

Results of Testing Purchases to Physical Inventory and FLAIR

We obtained and reviewed 41 voucher packages¹ and identified 30 purchased TPP items² with a value of \$1,000 or greater. We reviewed the 30 items and corresponding PMR forms for testing.

We determined 26 (87%) of the 30 items tested were processed properly; 20 had properly completed PMR forms and correct information in FLAIR, and 6 items were not ITS TPP. Four purchased items did not have properly completed PMR forms, were not tagged, and were not entered in FLAIR.

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 One fully complied with two 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 a change in the custodian when the cost center manager changed during the test period but an inventory was not conducted. The Office of Comptroller Property Office Manager was contacted and recommended District One Traffic Operations (cost center 162) conduct their regularly scheduled annual inventory January or February 2017 since this noncompliance was discovered close to the end of the year.
3. **TPP collected from separated employees:** We verified the Notice of Separation forms were completed and all assigned items were received from the separated employees.
4. **TPP Items Properly Tagged:** 46 of the 243 items tested were tagged but not recorded in FLAIR (14 items), or were improperly tagged and recorded in FLAIR (2 items), or had incorrect serial numbers recorded in FLAIR (8 items), or had incorrect location codes recorded in FLAIR (22 items). We also determined through testing a sample of 30 purchased items, that 4 items were not properly tagged or recorded in FLAIR.

Conclusion

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

- PMRs were not completed and submitted to the Property Delegate for the request of property tags;
- location codes not updated in FLAIR as changes occur;

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.

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- incorrect information entered in FLAIR; and
- unaware of inventory procedure provisions.

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 One ITS Manager of the items inaccurately tagged, not recorded in FLAIR, missing PMRs, and incorrect serial numbers and location codes recorded in FLAIR. District One staff has initiated corrections of the ITS TPP discrepancies identified. **We recommend** the District One ITS Manager ensure the corrective actions have been 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 the District One 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 Bradenton at the STMC, and Ft. Myers at the RTMC, the TransCore warehouse, and in the field.

The **methodology** included:

- interviewed ITS staff;
- determined 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 custodian or custodian’s delegate;
 - TPP collected from separated employees;
- verified accuracy of items recorded in FLAIR by comparing ITS records maintained in the district with records recorded in FLAIR;
- identified all TPP for the district and verifying each item was accurately tagged and recorded in FLAIR; and
- selected 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.

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APPENDIX B – Management Response



Florida Department of Transportation

RICK SCOTT
GOVERNOR

801 Broadway Avenue
Bartow, FL 33830

RACHEL D. CONE
INTERIM SECRETARY

February 7, 2017

Mr. Joseph W. Gilboy
Audit Manager, Office of Inspector General
Florida Department of Transportation
650 Suwannee Street
Tallahassee, FL 32399

RE: Audit Report No. 17P-1001, District One ITS Inventory Preliminary & Tentative

Dear Mr. Gilboy:

With regard to the findings referenced directly below, and pertaining to the above-mentioned audit, please be advised that our **Response to Findings are: We concur with the findings and recommendations.**

Finding: We determined the District One ITS office has made efforts to comply with Procedure No. 350-090-310, Tangible Personal Property requirements for internal controls over TPP. District One ITS fully complied with two of the four provisions tested in the procedure. District One ITS has not complied with the provisions concerning:

- properly tagging and recording items; and
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Recommendation (*as responded by the Office of Inspector General*): We Recommend the District One ITS Manager ensure the corrective actions have been completed.

Corrective Actions (*as taken/being taken by the ITS Manager*) **Have Been/Are:**

- 14 items (6%) were tagged, but not recorded in FLAIR; - Currently making corrections in FLAIR
- 2 items (1%) were improperly tagged and recorded in FLAIR; - Currently making corrections in FLAIR
- 8 items (3%) had incorrect serial numbers recorded in FLAIR; - Currently making corrections in FLAIR
- 22 items (9%) had incorrect location codes recorded in FLAIR. - Currently making corrections in FLAIR

We also determined through testing a sample of 30 purchased items that 4 items (13%) did not have properly completed Property Management Report (PMR) forms and correct information in FLAIR. - Currently making corrections in FLAIR

Estimated Completion Date: Within Ninety (90) days from the date of this letter. As of this response dated February 7, 2017, all corrective measures as identified have been successfully addressed and corrected in conjunction with the findings of the audit.

If you have any further questions, please do not hesitate to contact me at any time.

Sincerely,



Robert Brown
ITS Operations Manager

RB:jgp:ca

cc: Fred Heery, P.E., State TSM&O Engineer
Russell Allen, P.E., ITS Program Development Engineer
Robert Clift, Inspector General
Kris Sullivan, Director of Audit
Amy Furney, Senior Audit Supervisor
Michelle Candies, Auditor
David Gwynn, P.E., Director of Operations
Keith Slater, P.E., District Traffic Operations Engineer
Mark Mathes, P.E., TSM&O Program Engineer

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DISTRIBUTION

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Robbie Brown, District One ITS Operations Manager

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PROJECT TEAM

Engagement was conducted by:
Michelle Candies, Auditor

Under the supervision of:
Amy Furney, Senior Audit Supervisor
Joseph W. Gilboy, Audit Manager
Kristofer B. Sullivan, Director of Audit

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.