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Inspector General

OFFICE OF INSPECTOR GENERAL
PALM BEACH COUNTY



Inspector General
Accredited

“Enhancing Public Trust in Government”

Redacted per 119.071(3), F.S.

Audit Report

2019-A-0005

**Palm Beach County
Office of Financial Management &
Budget
Fixed Asset Management Office
Operations**

March 27, 2019



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PALM BEACH COUNTY



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AUDIT REPORT
2019-A-0005

DATE ISSUED: MARCH 27, 2019

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PALM BEACH COUNTY OFFICE OF FINANCIAL MANAGEMENT & BUDGET FIXED ASSETS
MANAGEMENT OFFICE OPERATIONS

SUMMARY

WHAT WE DID

We conducted an audit of the Palm Beach County (PBC) Office of Financial Management & Budget's (OFMB) Fixed Asset Management Office (FAMO) operations. This audit was requested by PBC OFMB and performed as part of the Office of Inspector General, Palm Beach County (OIG) Fiscal Year (FY) 2018 Annual Audit Plan.

The audit scope included FAMO's inventory, activities, transactions, and agreements from October 1, 2016 through September 30, 2018.

WHAT WE FOUND

We found overall that controls were generally adequate with some internal control weaknesses.

We found that applicable policies and procedures were generally adequate. However, we found instances of a lack of compliance with those policies and procedures and conditions where policies and procedures could be enhanced.

Our audit identified \$13,784.81 in questioned costs.¹

Facility and Inventory Security

FAMO staff did not comply with the facility and inventory security protocols set forth in IPPM FMD-6150-07 (Security of the FAMO Facility).

Out of the 40 active user accounts in the Fixed Asset Bidding System (FABS), five (5) user access accounts (13%) were assigned to former FAMO employees who had transferred or separated out of the division. FAMO was not in compliance with the County's Information Technology (IT) Security Policies (CW-O-059) regarding access to IT systems by terminated, reassigned, or transferred employees.

Eighteen (18) user access accounts (45%) in the FABS system were generic user accounts, which is inconsistent with general guidelines for password management.

Out of the eight (8) active user accounts in the FoxPro system, three (3) user accounts (38%) were assigned to former

¹ Questioned costs are costs or financial obligations that are questioned by the OIG because of: an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, other agreement, policies and procedures, or document governing the expenditure of funds; a finding that, at the time of the OIG activity, such cost or financial obligation is not supported by adequate documentation; or, a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

FAMO employees who had transferred or separated employment out of the division. One (1) user account (13%) was a generic Administrator account, which is inconsistent with general guidelines for password management.

FAMO management did not provide our office with documentation of a request to eliminate access authorization to the FABS or FoxPro systems for two (2) of the eight (8) former FAMO employees (25%).

Computer System

The Advantage System's records for six (6) of 25 (24%) fixed assets showed the assets existed and were in the Surplus Warehouse; however, those assets were disposed and recorded as such in the FABS system. The two computer systems contained conflicting information. Since those assets should have been recorded as disposed in the official fixed asset record of the County (i.e. Advantage system) in accordance with County Policy CW-O-027, the documented cost of the assets is questioned and totaled \$13,784.81.

The Advantage system records were not properly updated for 120 of 523 fixed assets (23%) transferred to the Surplus warehouse. In those instances, the Advantage system records showed the incorrect custodian code for the fixed asset after the fixed assets had been transferred to the Surplus warehouse.

Controls

FAMO staff did not endorse checks immediately upon receipt, which was in violation of IPPM FMD-6150-02 (Cash Handling Policy and Procedures).

The asset tagging processes could be enhanced by recording the asset tagging

date in the Advantage computer system and by restricting edit access to the master asset tagging log.

Management had processes in place to segregate duties when accessing two large safes on the premises (e.g., combination and key to access safe; witness to observe opening of the safe); however, FAMO staff were not implementing the segregation of duties concepts in those processes.

Inventory

The Surplus Disposal Manager did not provide complete and accurate weekly reports for surplus activities in accordance with Policy CW-O-027. We found that 13 of 25 tested inventory items (52%) were not entered into the system within one week, as required by Policy CW-O-027.

There were six (6) of 25 inventory items (24%) held as part of inventory at the Thrift Store after not selling for more than three (3) Thrift Store retail/public sales. The items were held at FAMO from six (6) to 30 months. It may be inefficient and cause increased carrying costs and staff time for tracking inventory items by maintaining inventory in the Thrift Store that is not likely to sell.

The price listed in the computer system for sale items was inconsistent with the unit price tag. This could lead to the County employee charging inaccurate prices, the County employee recording an amount collected from the sale that differs from the actual amount collected, and the loss of anticipated revenue from the sale.

Asset Tagging

For 73 of 100 assets (73%), FAMO staff did not enter the fixed asset acquisition into the Advantage system within 60 days

of acquisition, in accordance with the established process.

Assets were not physically tagged within 60 days for nine (9) assets out of 53 assets (17%).

WHAT WE RECOMMEND

Our report contains nine (9) findings and twenty-two (22) recommendations. Implementation of the recommendations will 1) assist the County in strengthening internal controls, and 2) enhance compliance with the existing policies and procedures.

FAMO is taking corrective actions to implement the recommendations.

We have included the PBC OFMB FAMO's management response as Attachment 1.

BACKGROUND



FAMO is part of the Financial Management Division under the OFMB. FAMO manages the surplus assets disposal program. FAMO is the only agency of the BCC authorized to dispose of surplus tangible personal property, whether by sale, donation, or otherwise. Once a County-owned asset has been declared surplus, the responsible property custodian shall promptly give control and custody of the asset to FAMO for disposal. FAMO is responsible for asset tagging all County-owned fixed assets and performing an annual inventory.

Additionally, the PBC Thrift Store, a direct sales outlet, is organized within FAMO. The PBC Thrift Store sells surplus government property from various governmental entities, including the County, the Sheriff's Office, Solid Waste Authority, the Department of Airports (DOA), the Healthcare District, and several municipalities. The store is only open to the public one (1) Saturday each month from November to July for retail sales and auctions, with on-site computerized competitive bidding.

OBJECTIVES, SCOPE, AND METHODOLOGY

The overall objectives of the audit were to determine whether:

- Controls were adequate for processes and to safeguard assets;
- Assets were properly reported and recorded in the computer systems; and
- Processes were working efficiently and effectively.

The audit reviewed cash handling operations, security operations, computer system effectiveness and efficiency, PBC Thrift Store inventory, and asset tagging. The scope of the audit included related activities from October 1, 2016 through September 30, 2018.

The audit methodology included:

- Conducting a review of internal controls related to the Thrift Store;
- Reviewing policies, procedures, and related requirements;
- Reviewing processes and operational activities;
- Reviewing master records and computer system records and information;
- Performing transaction testing and physical observation of operations and assets;
- Interviewing appropriate personnel; and
- Reviewing contracts, agreements, and related documentation.

As part of the audit, we completed a data reliability assessment for the computer systems used by FAMO for FAMO operations, which included the financial computer system Advantage, the FAMO inventory and asset bidding system FABS, the annual inventory system FoxPro, and reports produced from the computer systems using the AMS Advantage/Crystal Reports Writer. We determined that the computer-processed data contained in Advantage, FABS, and FoxPro were sufficiently reliable for purposes of this

audit. The AMS Advantage/Crystal Reports Writer had an exception² for sales tax calculations, but was sufficiently reliable for the purposes of this audit. The exception noted was an error in the Sales by Cashier and Account Code report, which showed the total sales tax amount repeats for each line on the invoice. This was mitigated by an additional reconciliation of the information from the report and FABS.

This audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

² For purposes of this audit report, we are defining the term “exception” as a computer system entry or transaction that does not follow the applicable written guidance (e.g., irregularities, deviations, anomalies).

FINDINGS AND RECOMMENDATIONS

Finding (1): FAMO staff did not comply with FAMO security policies, procedures, and processes.



Internal Policies and Procedures Manual (IPPM) FMD-6150-07 was issued April 14, 2017. This policy was also distributed via email to FAMO employees on April 14, 2017. The purpose of the IPPM was to establish standard procedures that govern the security of the FAMO facility in accordance with the Facilities Department’s Electronic Services & Security (ESS)

Division’s recommendations. FAMO employees are responsible to ensure that the FAMO facility is secured in order to safeguard personnel and property.

The IPPM procedures include the following:

1. [REDACTED]
2. [REDACTED]
3. [REDACTED]
4. [REDACTED]
5. [REDACTED]

During various site visits, the OIG auditors observed that Thrift Store and FAMO staff did not always adhere to IPPM FMD-6150-07. The auditors observed the following instances of non-compliance:

- On several occasions, [REDACTED]
 - On May 16, 2018, [REDACTED]
 - On May 16, 2018, [REDACTED]

Additionally, on June 13, 14, and 15, 2018, [REDACTED]

[REDACTED] This condition had previously been observed as part of the Facilities Department’s ESS Division assessment and had been

reported as resolved; therefore, this condition is a repeat violation of IPPM FMD-6150-07.

- On June 16, 2018, during a Thrift Store sale, [REDACTED]
[REDACTED] The OIG auditor reported this issue to the Sheriff's Deputy on duty during the sale and the FAMO Manager. On the same day, [REDACTED]
- On three (3) occasions, [REDACTED]
 - On June 5, 2018, [REDACTED]
 - On June 16, 2018, [REDACTED]
 - On August 16, 2018, [REDACTED]
- On June 16, 2018, during a Thrift Store sale, [REDACTED]

Additionally, we noted that the [REDACTED]

Therefore, [REDACTED]

Although FAMO management had established policies and procedures in response to the recommendations from the Facilities Department's ESS Division's assessment; the staff was not formally trained on those policies and staff did not comply with required security policies and procedures at all times.

Without proper security controls, the potential for unauthorized access to the warehouse and Thrift Store exists. Unauthorized access exposes the County to theft or loss because assets are not properly secured.

Recommendations:

- (1) Train staff on the required security protocols.**
- (2) FAMO develop and implement an annual security awareness training program.**

- (3) FAMO require staff to complete a form acknowledging receipt of training and understanding of the security protocol.

Management Response Summary:

The Internal Policies and Procedures Manual (IPPM) OFMB 6150-07 on security will be updated to reflect current operations and FAMO staff will be trained. Staff will be trained as changes occur, with occasional refresher courses on security topics.

Finding (2): FAMO did not comply with the required time period for recording and processing surplus assets in the FABS system.



Management is responsible for establishing and implementing the control activities of an entity. This includes designing appropriate controls and implementing policies and procedures to facilitate the entity's achievement of objectives and response to relevant risks. Control activities include reviews by management at the functional or activity level and accurate and timely recording of transactions. Management compares actual performance to planned or expected results throughout the organization and analyzes significant differences. Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions.³

County Policy CW-O-027, Custody and Disposal of Surplus Assets, Procedures, Declaring Assets Surplus states,

PURPOSE:

To specify the process to be followed in the custody, redistribution, and disposal of surplus tangible personal property owned by, or on consignment to, Palm Beach County, including policies and procedures for the donation of such property.

.....

PROCEDURES:

Declaring Assets Surplus

1.....FAMO's Surplus Disposal Manager is responsible to provide continuous inventory management and control by tracking and reconciling all surplus capital/miscellaneous asset transactions. Surplus assets must be duly recorded and processed in the Fixed Assets Bidding System (FABS), or its replacement, from intake through final disposition which includes, but is not limited to, their sale, redistribution, recycling, or discard. The Surplus Disposal Manager must provide senior FAMO management

³ This best practice is provided in The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government issued by the U.S. Comptroller of the Treasury dated September 2014.

with a complete and accurate written weekly summary of surplus activities supplemented by system generated reports and other pertinent documentation to support the information/data presented in the weekly summary.

.....

Disposal of Surplus Tangible Personal Property

Disposal of surplus tangible personal property must be coordinated by and/or through FAMO. FAMO is responsible for the following:

1. Determining the method and timing of disposal as set forth in this policy.

The memorandum agreement between the Department of Airports (DOA) and FAMO regarding Lost and Found Items dated April 23, 2012 states that FAMO shall contact the DOA for further disposition of items maintained in inventory after three (3) FAMO inventory sales and FAMO staff believes the sale is not likely.

The County's Interlocal Agreement with Palm Beach County Sheriff's Office (PBSO) stated,

7. **Record Keeping and Payment Remittance.** No later than the 10th calendar day of each month, the County shall provide [PBSO] a detailed accounting of all [PBSO's] assets disposed of hereunder during the preceding month, together with payment for all such assets sold, less the County's sales commission fees and authorized expenses....
8. **Removal and Disposition of [PBSO's] Unsold Assets.** The County will notify [PBSO] when [PBSO's] surplus tangible property assets have not sold or have been reassigned to active use of the County or any of its other co-utilization partners...within a reasonable time for pick-up by [PBSO] for the purpose of alternate means of disposal by [PBSO]. At the County's option, any such assets not retrieved by [PBSO] within one (1) week of notification may be disposed of as salvage, and any proceeds thereof shall become the property of the County...."

The agreement also establishes certain items as "unsuitable for disposal" including counterfeit branded items, such as watches or jewelry, commonly referred to as "knock-offs".

We tested 25 Thrift Store inventory items and noted the following:

- The Surplus Disposal Manager did not provide complete and accurate weekly reports for surplus activities in accordance with Policy CW-O-027. We found that 13 of 25 tested inventory items (52%) were not entered into the FABS system within one week, as required by Policy CW-O-027.
- Six (6) of 25 inventory items (24%) were held as part of inventory at the Thrift Store after not selling for more than three (3) Thrift Store retail/public sales. The

items were held at FAMO from six (6) to 30 months. It may be inefficient and cause increased carrying costs and staff time for tracking inventory items by maintaining inventory in the Thrift Store that is not likely to sell.

- One (1) of 25 inventory items (4%) was considered “unsuitable for disposal.” The item provided by PBSO stayed in FAMO Thrift Store possession for 19 months after the item was deemed “unsuitable for disposal.”

It appears there was a lack of training and guidance for Surplus intake personnel. As a result, FAMO was not efficient in its operations.

Recommendations:

- (4) FAMO comply with required time period for recording and processing incoming inventory items into the FABS system.**
- (5) Assess, within a reasonable time, the suitability of inventory to ensure that only suitable surplus assets are held in inventory for sale through the Thrift Store.**
- (6) FAMO develop and implement a process to monitor the age of assets in the Surplus inventory and dispose of items accordingly.**
- (7) Provide training to staff for proper disposal of items.**

Management Response:

- (4) Policy CW-O-027 requires the Surplus Manager to provide senior FAMO Management with a written summary of surplus activities supplemented by system generated reports which will be completed weekly.**
- (5) Staff currently reviews surplus inventory as to whether it is functional and suitable for redistribution within the County or if it can be sold through the Thrift Store. If inventory is non-functional/non-repairable it is disposed of with the OFMB/FAMO management authorization.**
- (6) FAMO will monitor the ages of assets in the Surplus Inventory more closely and dispose of items accordingly.**
- (7) Management will continue to train staff.**

Finding (3): FAMO employees did not comply with the cash handling policy and procedures.



Management is responsible for establishing and implementing the control activities of an entity. This includes designing appropriate controls and implementing policies and procedures to facilitate the entity’s achievement of objectives and response to relevant risks. Control activities include verifications,

reconciliations, reviews by management at the functional or activity level, and appropriate documentation of transactions and internal control.⁴

Payment methods accepted during Thrift Store sales included cash, cashier's check, traveler's check, and credit card. IPPM FMD-6150-02 (Cash Handling Policy & Procedures) states,

POLICY:

2. All checks should be restrictively endorsed (Board of County Commissioners of Palm Beach County) immediately when received....

As part of our review of the cash controls, we noted that checks were not endorsed immediately upon receipt in violation of IPPM FMD-6150-02. Without endorsing the checks immediately, there is an increased risk of the check being stolen and/or fraudulently endorsed.

Although the cashiers were properly trained, they were not properly adhering to the Cash Handling Policy and Procedures. Additionally, the practice observed is a control weaknesses that exposes FAMO to unnecessary risk. Without adequate controls, there is an increased risk of errors, loss, or theft.

Recommendation:

(8) FAMO staff ensure checks are endorsed immediately upon receipt.

Management Response:

(8) Although checks are not endorsed at the cash register by the cashiers, checks are endorsed the same day. Management considers the same day as "immediately" but will review the policy and revise as needed.

Finding (4): Entry of fixed asset acquisitions and asset tagging did not occur within 60 days, in accordance with the established process.

Page 3 of 9 of the County Policy CW-O-026, Physical Identification and Management of County-Owned Fixed Assets states,

Fixed assets will be marked with or otherwise assigned a unique, permanent identification tag signifying ownership by Palm Beach County. The property identification number of a County fixed asset is in the form of an electronic scanning code (barcode) to facilitate electronic inventory procedures.



⁴ This best practice is provided in The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government issued by the U.S. Comptroller of the Treasury dated September 2014.

Page 5 of 9 of the County Policy CW-O-026 further states,

1. Asset tags denoting County ownership will be affixed to assets by FAMO in the locations specified in Schedule A hereof. On- and off-road vehicles, equipment, etc., are to be tagged in accordance with the requirements as set forth in PPM CW-O-074, Tags, Registrations and Titles for County Vehicles.

The policy does not set forth a particular time line for asset tagging. However, the PBC OFMB senior management and the Fixed Asset Manager advised our office that the process used by the office requires tagging within 60 days from the time the asset was listed on the Fixed Asset Shell Record Detail Report.

We selected a sample of 100 fixed assets to determine if documentation was maintained to support that the assets were physically tagged, if those assets were tagged consistent with the reasonableness standard communicated to our office, and if the asset acquisition was entered into Advantage in a timely manner. We noted the following results:

- Documentation was not maintained to document the date that 26 assets out of 76 assets⁵ (34%) were physically tagged.
- The entry of fixed asset acquisitions into the Advantage system did not occur within 60 days of FAMO's receipt of the asset information for 73 assets of 100 assets (73%).
- Assets were not physically tagged within 60 days for nine (9) assets out of 53 assets (17%).^{5,6} In seven (7) of the nine (9) assets (78%), the assets were not entered in Advantage within 60 days.

FAMO staff did not enter fixed asset acquisitions into the Advantage system in a timely manner which caused physical asset tagging to be delayed. Additionally, adequate documentation was not maintained for physical asset tagging.

Due to the delays in the entry of asset acquisitions and subsequent asset tagging, assets could be placed in use prior to asset tagging which increases the risk for loss or theft. Additionally, the lack of adequate documentation for asset tagging increases the risk that fixed assets are not tagged as required by County policy and also increases the risk for loss or theft.

Recommendations:

- (9) FAMO establish and implement a timeline(s) to properly document asset tagging, processing of assets in the computer system, and maintaining records for the completion of the process.**

⁵ The sample size of this test is lower because not all assets receive a physical tag, such as, vehicles.

⁶ The reason the physical tagging of assets had different results than the processing of assets to be ready for asset tagging was because assets could be pre-tagged prior to the asset acquisition entry in the computer system.

- (10) OFMB and ISS review the computer system and determine if the physical date of the asset being tagged can be documented in the computer system.
- (11) FAMO provide training to staff for timeliness and proper completion of the asset tagging process.

Management Response:

- (9) Staff will review the policy and update as needed.
- (10) Management reviewed the Advantage system and determined the computer system cannot document the additional information.
- (11) Management will continue to train staff.

Finding (5): Asset tagging controls could be enhanced.



FAMO was responsible for operating a program for the proper identification, inventory, transfer, reuse, and disposal of County-owned tangible personal property.

Our review of the asset tagging process and controls identified the following opportunities for enhancement:

- The excel spreadsheet listing assets that have been physically tagged was unprotected and maintained on a shared drive accessible to all FAMO staff. This could lead to errors or inadvertent changes.
- The asset physical tagging date was not entered into the Advantage system. Instead, the asset tag date was maintained in a separate excel spreadsheet by month of tagging. For efficiency, all relevant asset information should be maintained in the Advantage system.

The asset tagging process was a manual process without proper controls. The lack of proper security controls over the excel spreadsheet may lead to the excel spreadsheet being altered by any staff member with access which compromises the integrity of the document. Lack of communication between staff members increases the risk of error and duplication of effort.

Recommendation:

- (12) FAMO maintain the master asset tagging log (excel spreadsheet) in read-only for general access to limit the risk of unauthorized edits and/or errors.

Management Response:

- (12) FAMO will maintain the master asset tagging log (excel spreadsheet) in read-only for general access to limit the risk of unauthorized edits and/or errors.

Finding (6): Inventory items had inconsistent pricing and inaccurate information.

County Policy CW-O-027, Custody and Disposal of Surplus Assets states,

PROCEDURES:**Declaring Assets Surplus**

1. ...Surplus assets must be duly recorded and processed in the Fixed Assets Bidding System (FABS), or its replacement, from intake through final disposition which includes, but is not limited to, their sale, redistribution, recycling, or discard...



During the surplus intake process, items received from municipalities and other agencies are tagged and entered into the FABS system with a \$0 value. Once the items are appraised, the inventory tag is reprinted with the actual sale price.

Items received by Surplus that are not sold may be processed in the FABS system in the following ways: donation (BCC approved), redistribution within the County, and discard or scrap.

We selected a sample of 25 inventory items to determine if they were properly recorded in the FABS system and noted the following:

- For three (3) of 15⁷ inventory items (20%), the price listed in the computer system for sale items was inconsistent with the inventory unit price tag.
- One (1) of 25 inventory items (4%) transferred from a County Department had inaccurate information recorded in the FABS system.

Information entered into the FABS system was not adequately reviewed to ensure accuracy. Inadequate review of information entered into the FABS system could lead to the County charging inaccurate prices, the County recording an amount collected from the sale that differs from the actual amount collected, and the County losing anticipated revenue.

Recommendation:

- (13) FAMO develop and implement procedures for individual retail sale items in FABS and continue to ensure all transactions entered into the FABS system are reviewed for accuracy.**

⁷ Items without price tags were not tested for consistent pricing in the FABS system.

Management Response:

(13) FAMO will review procedures for individual retail sale items in FABS and continue to ensure all transactions entered into FABS are reviewed for accuracy.

Finding (7): FAMO lacks proper segregation of duties in securing cash and assets.



Segregation of duties is an internal control used to prevent fraud, waste, and abuse in the entity by considering the need to separate authority, custody, and accounting in the entity’s structure.⁸ Entities apply segregation of duties to the most vulnerable and mission critical elements of the government or business. To implement segregation of duties, management should divide or segregate key duties and responsibilities among different people to ensure no one person has control over the entire process,

thereby reducing the risk of error, misuse, or fraud.

FAMO had [REDACTED] for thrift store sale merchandise, such as jewelry and cellular phones.

The process for accessing [REDACTED]
There is not a [REDACTED]

FAMO did not utilize proper segregation [REDACTED] to complete the entire process.

All FAMO [REDACTED] On June 12, 2018, the OIG auditor observed that the [REDACTED]

Management has processes in place to segregate duties ([REDACTED]); however, the procedures being followed by FAMO staff were not implementing the segregation of duties concepts. The [REDACTED]; however, staff was not using the features. [REDACTED] were not being completed [REDACTED] with it going undetected. This could lead to unauthorized access, misuse of items, or theft.

Recommendations:

(14) FAMO follow its security protocols.

⁸ This best practice is provided in The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government issued by the U.S. Comptroller of the Treasury dated September 2014.

- (15) FAMO revise policies to include dual responsibilities for accessing safes and secured locations.
- (16) FAMO document and maintain the records for individuals accessing the safe and/or the keys to secured locations to include the names of the individuals accessing the safe, the reason for access, and the signature of a witness.

Management Response:

FAMO will review and amend policies to make needed changes. FAMO will continue to train staff on policies and procedures for security protocols.

Finding (8): Non-compliance with the County’s IT Security Policy and basic IT controls for system access and user accounts.

The IT Security Policies, which is Attachment A to the County’s IT Security Policies (CW-O-059) provides,

Section 5.2 POLICY OVERVIEW

Having proper security measures against insider threats to the County’s information resources and data is equally as critical as protection against outside threats. Elimination of access for terminated employees, modification of access for reassigned or transferred employees, and use of a formal sanctions process for failure to comply with established IT security policies are three examples of personnel management controls.



5.3 POLICY PROVISIONS

Termination

The department or agency shall immediately revoke access to all IT systems and information by terminated employees.

Transfer or Reassignment

The department or agency shall immediately review access authorizations when employees are transferred or reassigned to other positions within the County and initiate appropriate actions such as closing and establishing accounts and changing system access authorizations.

Sanctions

The department or agency shall employ a formal sanctions process for employees failing to comply with established information security policies and procedures, in accordance with County Merit Rules.

5.4 ROLES AND RESPONSIBILITIES
INFORMATION SYSTEMS SERVICES

- Promptly respond to department or agency requests to revoke or modify access authorizations.

DEPARTMENTAL TECHNICAL STAFF AND ADMINISTRATORS

- Immediately request elimination of access authorizations for terminated employees.
- Immediately review access authorizations for transferred or reassigned employees, and process the necessary access authorizations change requests.

.....

15.4 ROLES AND RESPONSIBILITIES

.....

DEPARTMENTAL TECHNICAL STAFF AND ADMINISTRATORS

.....

- Promptly report employee or contractor terminations, or other changes in system access.

The document further provides,

22.4 ROLES AND RESPONSIBILITIES

INFORMATION SYSTEMS SERVICES

- Establish and maintain systems and standards for access control.
- Ensure that user credentials for systems under their custody are securely managed and controlled using departmental policies and procedures.
- Develop, maintain and publish policies, procedures and standards for user credentials to facilitate efficiency during user provisioning and de-provisioning.

DEPARTMENTAL TECHNICAL STAFF AND ADMINISTRATORS

- Establish policies and procedures for departmental system access control which are consistent with the County Security Policy.
- Promptly notify ISS when users are transferred, terminated or otherwise impacted in a way which would change their system access privileges.

Moreover, basic computer system controls include limiting access to those who need access and providing each user their own separate user ID and password.⁹

⁹ The Association of Government Accountants Information Systems & Technology Best Practice Controls.

We found that of the 40 active user accounts in the FABS system, five (5) user access accounts (13%) were for transferred and separated employees, and 18 user access accounts (45%) were generic user accounts.

Of the 8 active user accounts in the FoxPro system, three (3) user accounts (38%) were for transferred and separated employees, and one (1) user account (13%) was a generic Administrator account that was not restricted to Information System Services (ISS) database administrators.

FAMO management did not provide documentation to our office showing the request for elimination of access authorization for two (2) of the eight (8) former FAMO employees (25%) who transferred to another County department. One of the transfer departments did not make the request to ISS to transfer the employee's access authorizations from FAMO to that department until four (4) business days after the employees' FAMO separation date.

ISS properly removed network access for two (2) of the two (2) separated employees (100%); however, it appears ISS did not have a process in place to ensure the removal of generic user accounts and user accounts for transferred and separated employees within the FABS and FoxPro systems. Additionally, ISS did not appropriately restrict access to the Administrator user account to database administrators in the ISS department

During the audit, ISS removed the FABS user accounts for all five (5) of the transferred and separated employees and 18 of the 18 (100%) generic accounts.

FAMO management and ISS did not comply with the County's IT Security Policy regarding transferred and separated employees and generic usernames. Not removing user accounts for transferred and separated employees' increases the risk of improper and unauthorized transactions.

Additionally, when generic usernames are used there is no clear audit trail in the computer systems to identify which individual completed which transactions. Use of generic usernames makes the entity susceptible to improper and unauthorized transactions and concealment of inappropriate activity because there is no clear audit trail for who completed the transactions. This may compromise the integrity of data within the system.

Recommendations:

- (17) ISS remove the three (3) FoxPro user accounts for transferred and separated employees.**
- (18) ISS restrict access to the Administrator user account in the FoxPro system to the responsible database administrators in ISS.**

- (19) OFMB enhance controls to ensure that a request is made to ISS for the elimination of access authorizations for all former employees.
- (20) ISS develop and implement a process to ensure the removal of generic user accounts and user accounts for transferred and separated employees in the FABS and FoxPro systems.

Management Response:

- (17) ISS has reviewed the three (3) FoxPro user accounts with OFMB Management and these accounts have since been de-provisioned from the FoxPro system.
- (18) ISS has removed the generic administrator user account from the FoxPro application.
- (19) OFMB will develop an exit form/checklist to ensure computer access is eliminated/changed as employees leave employment with OFMB.
- (20) ISS has removed the unnecessary generic user accounts from both the FoxPro application and the FABS system. Additionally, ISS will generate a bi-annual report of FABS and FoxPro users with their current role assignment for FAMO Management review and verification. Also, a template will be created for provisioning/de-provisioning of user accounts.

Finding (9): Advantage fixed asset records were not updated properly.



Management is responsible for establishing and implementing the control activities of an entity. This includes designing appropriate controls and implementing policies and procedures to facilitate the entity's achievement of objectives and response to relevant risks. Control activities include verifications, reconciliations, reviews by management at the functional or activity level, and appropriate documentation of transactions and internal control.¹⁰

County Policy CW-O-027, Custody and Disposal of Surplus Assets, states,

PROCEDURES:

.....

Disposal of Surplus Tangible Personal Property

¹⁰ This best practice is provided in The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government issued by the U.S. Comptroller of the Treasury dated September 2014.

Disposal of surplus tangible personal property must be coordinated by and/or through the FAMO. FAMO is responsible for the following:

8. Maintaining proper documentation on all disposals.
9. Retiring disposed capital assets in the official fixed assets records of the County.
10. Inputting the appropriate data in the official fixed assets records of the County to update the financial reporting records.

Additionally, IPPM FMD-6150-04 (Surplus Operations Scrapping Policy & Procedures) states,

PROCEDURE:

.....

f. PROCESSING [FM] TRANSACTIONS FOR SURPLUSSED ASSETS:

Using the original or the adjusted transfer forms, the Surplus Operations Manager or his designee must process the FM transactions to effect:

- Custodian change
- Location change

.....

j. REMOVING SCRAPPED ASSETS FROM THE ADVANTAGE INVENTORY DATABASE:

- After the Fixed Assets Manager and/or the Financial Analyst II reviews the Inventory Activity Reports for items that were scrapped (Attachment E), the reports must be given to the Fiscal staff for processing the FD transactions for the scrapped items.

.....

- All assets scrapped by Surplus Operations must also be removed from the Advantage Inventory database during the routine course of business within the same fiscal year so the Fiscal Year, Budget Fiscal Year, and Period agree with the transaction.¹¹

The FoxPro annual inventory system and the FABS inventory and bidding system integrate with the County's Advantage financial system as follows:

- When assets are transferred to FAMO Surplus from County departments and other entities, staff inputs information regarding the assets into the FABS system manually or by scanning the fixed asset barcode. Information input into the FABS

¹¹ FM transactions modify a fixed asset record in the Advantage system. FM transactions may be manually posted in the Advantage system or posted through the automated overnight batch process based on update files generated by the FoxPro system.

- system automatically populates the FoxPro system. The FoxPro system generates and sends an update file to be processed in the Advantage system.
- The County conducts an annual physical inventory count through the FoxPro system by scanning the fixed asset barcode. After the fixed asset information from the inventory is uploaded to the FoxPro system and completed for a department's custodian code, annual updates relating to the fixed asset are manually sent to the Advantage system via an update file.
 - The Advantage system processes the information sent from the FoxPro system and updates the fixed asset records. This process should reflect an asset has been transferred to FAMO Surplus or that the asset has been inventoried with an updated condition code and last inventory date.

To determine if the Advantage fixed asset records were updated properly for the annual physical inventory process and transfers to the Surplus warehouse (i.e. the sub-ledger to general ledger interface process), we selected a sample of fixed assets processed by the FoxPro and FABS systems for review. A sample of 4,433 fixed assets from the FoxPro system was selected based on the fixed asset acquisition cost by department (i.e. departments with the highest acquisition costs) and whether the inventory process had been completed for that department. This sample consisted of the fixed assets inventoried as of July 19, 2018 from the Palm Tran, Fire Rescue, Water Utilities, and ISS departments. A sample of 523 fixed assets from the Surplus inventory in the FABS system was selected based on the point in time during the month when the Surplus inventory would be highest (i.e. immediately before a Thrift Store sale). This sample consisted of the FABS Surplus inventory records as of July 19, 2018. We then obtained and compared the FoxPro files for the annual inventory and FABS transfers to Surplus and the Advantage fixed asset records for the fixed asset samples selected above.

In addition to the sample of assets noted above, we reviewed 25 fixed assets that were identified in the Advantage fixed asset records that showed as active and located at the Surplus warehouse, but were not identified in the FABS Surplus inventory records.

The Advantage System's records for six (6) of 25 (24%) fixed assets showed the assets existed and were in the Surplus Warehouse; however, those assets were recorded as disposed in the FABS system. The two computer systems contained conflicting information. Since those assets should have been recorded as disposed in the official fixed asset record of the County (i.e. Advantage system) in accordance with County Policy CW-O-027, the documented cost of the assets is questioned and totaled \$13,784.81.

Capital Asset Description	FABS Disposal Date	Questioned Cost ¹²
PRINTER STARMATE 550 CONDO	7/25/2017	\$ 4,068.00
PC, DELL OPTIPLEX GX620 SFF	2/17/2018	\$ 1,222.38
PC, DELL OPTIPLEX GX620 SFF	4/15/2017	\$ 1,222.38
LAPTOP, DELL LATITUDE D830	2/17/2018	\$ 1,197.91
CHLORINE ANALYZER - HACH	8/11/2017	\$ 3,007.00
CHORLINE PROCESS ANALYZER, HACH CL17	8/11/2017	\$ 3,067.14
Total Questioned Costs		\$13,784.81

There were 120 of 523 (23%) fixed assets not properly updated in the Advantage system for transfers to the Surplus warehouse (i.e. the fixed asset showed the incorrect custodian code in the Advantage system after the asset had been transferred to the Surplus warehouse). Additionally, we identified one (1) asset in the sample of 4,433 fixed assets from the FoxPro system that was not properly updated in the Advantage system for a transfer to the Surplus warehouse.

It appears the FoxPro system did not properly process the transactions transferring the 121 fixed assets to Surplus for update in the Advantage system prior to the July 21, 2018 Thrift Store sale. The FoxPro processing issue was not identified until after the fixed assets were sold and disposed in the Advantage system, and it was too late to process the transfer transactions in the Advantage system.

It appears FAMO management did not ensure that fixed asset disposals, transfers out of the Surplus warehouse, and transfers to the Surplus warehouse were properly recorded in the Advantage system.

The County's fixed asset records and financial statements may be misrepresented if fixed assets are not properly recorded and updated.¹³ When the fixed asset records' custodian codes, location codes, and last inventory dates maintained in the Advantage system are not up to date and accurate, this may cause fixed assets to not be located and/or theft going undetected.

Recommendation:

- (21) FAMO resolve the discrepancy between Advantage and FABS for the six (6) fixed assets that could not be confirmed for existence.**

¹² Purchase amount (historical / acquisition cost) was used for questioned costs because we were unable to determine if the asset existed due to the conflicting information in the computer systems.

¹³ This audit was a performance audit, not an audit of the financial statements. However, our findings may have an impact on the financial statement audit. Therefore, this audit report will be referred to the County's external auditors for review.

- (22) FAMO ensure that fixed asset disposals, transfers out of the Surplus warehouse, and transfers to the Surplus warehouse are properly recorded in the Advantage system.**

Management Response:

- (21)** Discrepancies between Advantage and FABS have been resolved.
- (22)** FAMO will ensure that fixed asset disposal, transfers out of the Surplus warehouse, and transfers to the Surplus warehouse are properly recorded in the Advantage system.

**SUMMARY OF POTENTIAL FINANCIAL AND OTHER BENEFITS
IDENTIFIED IN THE AUDIT**

Questioned Costs

Finding	Description	Questioned Costs
9	Fixed asset existence could not be confirmed	\$ 13,784.81
	TOTAL QUESTIONED COSTS	\$ 13,784.81

ATTACHMENT

Attachment 1 – Palm Beach County Office of Financial Management & Budget Fixed Asset Management Office Management Response, page 25-28.

ACKNOWLEDGEMENT

The Inspector General's audit staff would like to extend our appreciation to the Palm Beach County Office of Financial Management & Budget Fixed Asset Management Office management and staff for their assistance and support in the completion of this audit.

This report is available on the OIG website at: <http://www.pbcgov.com/OIG>. Please address inquiries regarding this report to the Director of Audit by email at inspector@pbcgov.org or by telephone at (561) 233-2350.

ATTACHMENT 1 – PBC – OFMB – FAMO MANAGEMENT RESPONSE



**Office of
Financial Management & Budget**

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**Palm Beach County
Board of County
Commissioners**

Mack Bernard, Mayor

Dave Kerner, Vice Mayor

Hal R. Valche

Gregg K. Weiss

Robert S. Weinroth

Maty Lou Berger

Melissa McKinlay

County Administrator

Veronica C. Baker

"An Equal Opportunity
Affirmative Action Employer"

Official Electronic Letterhead

DATE: March 26, 2019

TO: Megan Gaillard, Director of Audit

FROM: Shery Brown, Director of OFMB

RE: Audit Report 2019-A-0005 - Audit of the Palm Beach County Office of Financial Management & Budget – Fixed Asset Management Office Operations (PBC OFMB FAMO)

Enclosed for your review you will find the response to the Palm Beach County Fixed Asset Management Office Operations Audit. As noted in your cover memo, the audit contains nine findings and twenty recommendations. Our response contains our concurrence with the findings and corrective measures.

Finding 1: FAMO staff did not comply with FAMO security policies, procedures, and processes.

Recommendations:

1. Train staff on the required security protocols.
2. FAMO develop and implement an annual security awareness training program.
3. FAMO requires staff to complete a form acknowledging receipt of training and understanding of the security protocol.

Finding 1 Response:

1.3 The Internal Policies and Procedures Manual (IPPM) PMB-615-07 on security will be updated to reflect current operations and FAMO staff will be trained. Staff will be trained as changes occur, with occasional refresher courses on security topics.

Finding 2: FAMO did not comply with the required time period for recording and processing surplus assets in the FABS system.

Recommendations:

4. FAMO comply with required time period for recording and processing incoming inventory items into the FABS system.
5. Assess, within a reasonable time, the suitability of inventory to ensure that only suitable surplus assets are held in inventory for sale through the Thrift Store.
6. FAMO develop and implement a process to monitor the age of assets in the Surplus inventory and dispose of items accordingly.
7. Provide training to staff for proper disposal of items.

Finding 2 Responses:

(4) Policy CW-O-027 requires the Surplus Manager to provide senior FAMO Management with a written summary of surplus activities supplemented by system generated reports which will be completed weekly.

(5) Staff currently reviews surplus inventory as to whether it is functional and suitable for redistribution within the County or if it can be sold through the Thrift Store. If inventory is non-functional/non-repairable it is disposed of with the OFMB/FAMO management authorization.

(6) FAMO will monitor the ages of assets in the Surplus Inventory more closely and dispose of items accordingly.

(7) Management will continue to train staff.

Finding 3: FAMO employees did not comply with the cash handling policy and procedures.**Recommendation:**

8. FAMO staff ensure checks are endorsed immediately upon receipt.

Finding 3 Response:

(8) Although checks are not endorsed at the cash register by the cashiers, checks are endorsed the same day. Management considers the same day as "immediately" but will review the policy and revise as needed.

Finding 4: Entry of fixed asset acquisitions and asset tagging did not occur within 60 days, in accordance with the established process.**Recommendations:**

9. FAMO establish and implement a timeline to properly document asset tagging, processing of assets in the computer system, and maintaining records for the completion of the process.

10. Review the computer system and determine if the physical date of the asset being tagged can be documented in the computer system.

11. FAMO provide training to staff for timeliness and proper completion of the asset tagging process.

Finding 4 Response:

(9) Staff will review policy and update as needed.

(10) Management reviewed the Advantage system and determined the computer system cannot document the additional information.

(11) Management will continue to train staff.

Finding 5: Asset tagging controls could be enhanced.**Recommendation:**

12. FAMO maintain the master asset tagging log (excel spreadsheet) in read-only for general access to limit the risk of unauthorized edits and/or errors.

Finding 5 Response:

(12) FAMO will maintain the master asset tagging log (excel spreadsheet) in read-only for general access to limit the risk of unauthorized edits and/or errors.

Finding 6: Inventory items had inconsistent pricing and inaccurate information.**Recommendation:**

13. FAMO develop and implement procedures for individual retail sale items in FABS and continue to ensure all transactions entered into the FABS system are reviewed for accuracy.

Finding 6 Response:

(13) FAMO will review procedures for individual retail sale items in FABS and continue to ensure all transactions entered into FABS are reviewed for accuracy.

Finding 7: FAMO lacks proper segregation of duties in securing cash and assets.**Recommendations:**

14. FAMO follow its security protocols.

15. FAMO revise policies to include dual responsibilities for accessing safes and secured locations.

16. FAMO document and maintain the records for individuals accessing the safe and/or the keys to secured locations to include the names of the individuals accessing the safe, the reason for access, and the signature of a witness.

Finding 7 Response:

(14-16) FAMO will review and amend policies to make needed changes. FAMO will continue to train staff on policies and procedures for security protocols.

Finding 8: Non-compliance with the County's IT Security Policy and basic IT controls for system access and user accounts.**Recommendations:**

17. ISS remove the three (3) FoxPro user accounts for transferred and separated employees.

18. ISS restrict access to the Administrator user account in the FoxPro system to the responsible database administrators in ISS.

19. OFMB enhance the controls to ensure that a request is made to ISS for the elimination of access authorizations for all former employees.

20. ISS develop and implement a process to ensure the removal of generic user accounts and user accounts for transferred and separated employees in the FABS and FoxPro systems.

Finding 8 Response:

(17) ISS has reviewed the three (3) FoxPro user accounts with OFMR Management and these accounts have since been de-provisioned from the FoxPro system.

(18) ISS has removed the generic administrator user account from the FoxPro application.

(19) OFMB will develop an exit form/checklist to ensure computer access is eliminated/changed as employees leave employment with OFMB.

(20) ISS has removed the unnecessary generic user accounts from both the FoxPro application and the FABS system. Additionally, ISS will generate a bi-annual report of FABS and FoxPro users with their current role assignment for FAMO Management review and verification. Also, a template will be created for provisioning/de-provisioning of user accounts.

Finding 9: Advantage fixed asset records were not updated properly

Recommendations:

21. FAMO resolve the discrepancy between Advantage and FABS for the six (6) fixed assets that could not be confirmed for existence.

22. FAMO ensure that fixed asset disposals, transfers out of the Surplus warehouse, and transfers to the Surplus warehouse are properly recorded in the Advantage system.

Finding 9 Response:

(21) Discrepancies between Advantage and FABS have been resolved.

(22) FAMO will ensure that fixed asset disposal, transfers out of the Surplus warehouse, and transfers to the Surplus warehouse are properly recorded in the Advantage system.

Thank you.

c. John Carey, Inspector General
Verdenia Baker, County Administrator
Richard Iavarone, Director of Financial Management
Angelo DiPierro, Fixed Assets Manager