



John A. Carey
Inspector General

OFFICE OF INSPECTOR GENERAL
PALM BEACH COUNTY



Inspector General
Accredited

“Enhancing Public Trust in Government”

Audit Report
2019-A-0007
Town of Lantana
Capital Assets and IT Inventory
Items
July 1, 2019

Insight – Oversight – Foresight



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TOWN OF LANTANA – CAPITAL ASSETS AND IT INVENTORY ITEMS

SUMMARY

WHAT WE DID

We conducted an audit of the Town of Lantana (Town) Capital Assets and Information Technology (IT) Inventory Items. We performed this audit as part of the Office of Inspector General, Palm Beach County (OIG) 2018 Annual Audit Plan.

Our audit focused on the Town's processes and controls for capital assets¹ and IT inventory items.² The scope of the audit included a review of capital assets recorded in the Town's financial system as of the Fiscal Year (FY) 2017 year-end and IT inventory assets documented on the Town's current inventory list.

The importance of properly recording capital assets is to show an accurate financial position for oversight bodies, the citizenry, and creditors.

We selected the Town because it had not been audited previously by the OIG, had a net depreciable total asset value of \$26,320,560, and had an IT Division.

WHAT WE FOUND

We found that the Town has generally adequate controls, including adequate segregation of duties for the capital asset processes, capital assets annual inventory process, and the capital assets disposal process.

We also found that the Town has generally adequate controls, including adequate segregation of duties for the IT inventory items acquisition process.

We found weaknesses regarding: (1) the capital assets acquisition process; (2) compliance with written guidance regarding the purchasing process and capital asset management; and (3) the sufficiency of written guidance for IT inventory assets. Our audit identified

¹ The Town's Capital Asset Management Administrative Policy identifies an "asset" requiring reporting and capitalization as having a cost of \$1,000 or greater incurred to acquire the individual asset or to make the asset ready for its intended use with a useful life of greater than two years. Official GASB Statement No. 34 states that the term "capital assets" includes both tangible and intangible assets that are used in operations and have initial useful lives extending beyond a single reporting period.

² Information Technology (IT) inventory items, for the purpose of this audit, are considered items that are not capital assets and are IT specific items, such as printers, computers, servers, etc.

\$43,255.13 in questioned costs³ due to the Purchasing Ordinance (Ordinance) not being followed or inadequate documentation.

Capital Asset Definition

The Town's definition of a capital asset includes an asset that costs \$1,000 or greater and having a useful life of greater than two (2) years.

The Town's Capital Asset Management Policy is less restrictive than Government and Accounting Standards Board (GASB) Statement No. 34, in that the Town does not define capital assets to include assets with useful lives that exceed a single reporting period (i.e. fiscal year) but less than two (2) years.

The Town interpreted the Ordinance and followed the provisions applicable to items costing less than \$1,000 for these exceptions. The Town believed the purchases noted as exceptions were exempt from the capital asset requirements; therefore, the Town believed it was following the Ordinance.

The OIG recognizes that the current Ordinance is written in a way that is not practical for operations and in this case there are instances where the Town could not comply with the Ordinance.

Additionally, the Town's Capital Asset Management Policy includes intangible assets within the policy, but does not clearly define the types of assets that would be considered intangible.

The Town's useful life schedule for all capital assets outlined in its Capital Asset Management Policy only includes the useful life of intangible assets for wastewater facilities rights of use and computer software. The useful life schedule is less restrictive than GASB Statement No. 51, which defines intangible assets to include easements, all water rights, timber rights, patents, trademarks, etc.

Ordinance Non-Compliance

The Town did not obtain three (3) quotes, for 16 (5 capital assets) out of 55 (36 capital assets) or 29% capital/fixed asset purchases we tested, as required by the Town's Ordinance. The total purchase price for the capital/fixed asset purchased without three (3) quotes totaled \$22,927.13. The Town did not obtain a purchase order, as required by the Ordinance, for six (6) out of 46 (13%) transactions we tested. The total purchase price for the capital/fixed asset without purchase orders totaled \$1,269.28. These violations of the Ordinance resulted in **\$22,927.13**⁴ in questioned costs.

³ 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. **As such and in this specific case, not all questioned costs are indicative of potential fraud or waste.**

⁴ The purchase order exceptions overlap with the quote exceptions, therefore to avoid duplication of questioned costs, we counted the exception values only once as questioned costs.

Donated Asset Requirement Non-Compliance

The Town did not obtain proper supporting documentation for the fair market valuation of five (5) out of seven (7) (71%) donated and confiscated assets that totaled \$16,494. The acquiring department did not provide written notification to the Finance Department for three (3) out of six (50%) transactions for donated assets that totaled \$9,078.

Lack of proper documentation to support the fair market value is a violation of GASB Statement No. 34; therefore, **\$16,494** is a questioned cost. Lack of written notification to the Finance Department is a violation of the Town's Capital Asset Management Policy; therefore, **\$3,834⁵** is a questioned cost.

Lack of Adequate Written Guidance for the IT Inventory

The Town lacked adequate written guidance to track and protect IT inventory items. The Town provided an in-progress IT inventory list; however, the Town did not have an adequate IT inventory list to

facilitate tracking and protecting of IT Inventory items. The lack of guidance for IT inventory items exposes the Town to being unable to detect the theft or loss of an IT asset. The lack of tracking and protecting IT Inventory items could lead to data beaches; unknown connections to the network; and inadequate system backups, incident response, and recovery.

WHAT WE RECOMMEND

Our report contains four (4) findings and provides twelve (12) recommendations. Implementation of the recommendations will 1) assist the Town in strengthening internal controls; and 2) facilitate compliance with requirements.

The Town is taking corrective actions to implement the recommendations.

We have included the Town's management response as Attachment 1.

⁵ The lack of written notification to the Finance Department overlaps with the lack of proper documentation for fair value; therefore, to avoid duplication of questioned costs, we counted the exception values only once as questioned costs.

BACKGROUND



The Town derived its governmental authority from a charter granted by the State of Florida Legislature in 1921. The Town Council consists of five (5) council members who are elected at-large for three (3) year staggered terms. The Council member for Group 5 serves a three (3) year term as the Mayor, and the Council Members annually select a Vice Mayor and Vice Mayor Pro Tem from amongst themselves. The Town Council appoints the Town Manager who is responsible to the Council for administration of all Town affairs placed in his charge by or under the Charter. Additionally, the Town Manager is responsible for the day to day operations of the Town and implementation of the policies established by the Town Council.

The Town is less than three (3) square miles and is located in Palm Beach County on the southeast Florida coast between Lake Worth Beach and Hypoluxo. The Town developed primarily as a residential community. The Town's estimated population as of 2018 was 11,867 residents.⁶ The Town focuses on neighborhood programs, services, improving roadway infrastructure, and redevelopment.

As of September 30, 2017, the Town had \$26,320,560 in (net) capital assets recorded in its financial statements. For FY 2018, the Town had an adopted revenue budget of \$17,871,865.

The OIG 2018 Annual Audit Plan had multiple entities selected for capital assets audits. The Town was selected for a capital assets and IT inventory items audit because it had not been previously audited by the OIG, had a net depreciable total asset value of \$26,320,560, and had an IT division.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the audit were to determine whether:

- Asset controls were adequate to safeguard government resources;
- Assets were properly reported and recorded in the financial system; and
- Asset processes were working efficiently and effectively.

The scope of the audit included a review of capital assets recorded in the Town's financial system as of the FY 2017 year-end and IT inventory assets documented on the Town's current inventory list.

The audit methodology included, but was not limited to:

- Performance of data reliability and integrity assessment of related computer systems;
- Review of capital asset and IT inventory asset policies and procedures;

⁶ <https://www.census.gov/quickfacts/lantanatownflorida>

- Review of capital asset and IT inventory asset master records and annual review of existence;
- Performance of physical observations of capital assets and IT inventory assets;
- Interviews of appropriate personnel; and
- Performance of detailed testing on selected transactions and invoices.

As part of the audit, we completed a data reliability and integrity assessment for the computer systems used by the Town to administer and report the capital assets process. We determined that the computer-processed data contained in these computer systems was sufficiently reliable for the purposes of the audit.

We conducted this audit 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.

FINDINGS AND RECOMMENDATIONS**Finding (1): The Town's definition of an asset requiring capitalization and reporting is less restrictive than the GASB requirements.**

GASB Statement No. 34 states that capital assets include land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other **tangible or intangible** assets that are used in operations and that have initial useful lives extending beyond a **single reporting period**.

GASB Statement No. 51 specifies that intangible assets can be purchased or licensed (which includes acquisition through an installment contract), acquired through non-exchange transactions, or internally generated. Examples of intangible assets include easements, water rights, timber rights, patents, trademarks, and computer software.

The Town's Capital Asset Management Policy does not require the Town to record and capitalize all the assets outlined in GASB Statement No. 34. The Town's definition of a capital asset includes an asset having a cost of \$1,000 or greater and a useful life of **greater than two (2) years**. The Town did not capitalize the cost of assets with a useful life that exceeds a single reporting period (i.e. fiscal year) but is less than two (2) years, as provided in GASB Statement No. 34.

The Town's Capital Asset Management Policy included intangible assets but did not clearly define the types of assets that would be considered intangible assets. The Town's Capital Asset Management Policy's useful life schedule for all capital assets only included the useful life for wastewater facilities rights of use and computer software. Thus, the Town's definition of an intangible asset is less restrictive than the GASB Statement No. 51 definition because it did not include easements, all water rights, timber rights, patents, and trademarks.

Capital assets with useful lives that exceed a single reporting period (i.e. fiscal year) and are less than two (2) years may not be properly recorded in the Town's records. Additionally, it is possible that intangible assets such as easements, water rights, timber rights, patents, trademarks, etc. were not properly recorded in the Town's records. If the capital assets were not properly recorded, the Town's expenses may be overstated and the capital assets may be understated, which could cause the financial statements to be inaccurate.

The inconsistency between the GASB requirements and the Town's Capital Asset Management Policy increases the risk that capital assets are not properly recorded and accounted for in the Town's accounting records.

Recommendations:

- (1) The Town update the Capital Asset Management Policy definition to be consistent with the GASB requirements.**
- (2) The Town train staff on the updated Capital Asset Management Policy.**
- (3) The Town review financial records and purchases to determine if asset purchases should have been recorded as capital assets, and then make the necessary adjustments, as needed.**

Management Response:

The Town agrees with the findings and recommendations. Revisions to the Capital Asset Management Policy are currently drafted, and when approved, staff will be trained. It is our intent to have these recommendations completed within the next 12 months.

Finding (2): The Town did not follow its Ordinance requirements for capital/fixed asset purchases.

The Town's Ordinance Article II, Section 7.5.28 provided that all capital assets require a purchase order. Section 7.5-29 provided that all fixed asset purchases require three (3) quotes. Fixed assets⁷ include items of real and tangible personal property, of a non-consumable nature.

We selected a sample of 36 capital/fixed assets with a total purchase price of \$514,033.81 from a population of 143 capital/tangible assets purchased between FY 2015 and FY 2017. The sample of 36 capital/fixed assets were acquired through 55 purchase transactions and seven (7) non-purchase transactions (i.e. donated and confiscated assets).⁸

The Town did not obtain three (3) quotes, as required by the Ordinance, for 16 (5 capital assets) out of the 55 (36 capital assets) or 29% purchase transactions totaling \$22,927.13. The Town's library books comprised of \$19,151.01 of this total. The Town did not issue a purchase order, as required by the Ordinance, for six (6) out of 46⁹ (13%)

⁷ In this case, a fixed asset is a capital asset, but not all capital assets are fixed assets. Example intangible assets are capital assets, but not fixed assets.

⁸ The number of transactions is greater than the number of capital assets because certain assets were made up of multiple components or included ancillary charges (i.e. charges necessary to place the asset into its intended use) which were purchased in separate transactions.

⁹ Nine (9) of the 55 purchase transactions (55 – 9 = 46) were not tested for compliance with the purchase order requirement because the purchases were for components of or ancillary charges for the main capital asset with purchase amounts less than \$1,000 which allowed for purchase orders, check request forms, or purchasing cards.

purchase transactions, totaling \$1,269.28. These transactions violated the Ordinance; therefore, **\$22,927.13**¹⁰ is considered a questioned cost.

The Town interpreted the Ordinance and followed the provisions applicable to items costing less than \$1,000 for these exceptions. The Town believed the purchases noted as exceptions were exempt from the capital asset requirements; therefore, the Town believed it was following the Ordinance.

The OIG recognizes that the current Ordinance is written in a way that is not practical for operations and in this case there are instances where the Town could not comply with the Ordinance.

Generally, the Town followed its Ordinance for obtaining quotes and issuing purchase orders; however, it appears the Town did not comply with those requirements when purchasing capital/fixed assets.

The risk for errors, fraud, waste, and abuse is increased when controls built into the process, such as obtaining multiple quotes and issuing purchase orders, are by-passed.

Recommendations:

- (4) The Town update or comply with the Ordinance requirements for capital/fixed asset acquisitions, specifically for obtaining quotes and purchase orders prior to acquisition.**
- (5) The Town train staff on the Ordinance requirements for capital/fixed asset acquisitions.**

Management Response:

The Town agrees with the findings and recommendations. However, 100% of the questionable costs were from individual purchases less than \$1,000 and while noted in the report, we interpreted the Purchasing Ordinance in a different manner that allows for these purchases. The Town has already begun drafting a revised policy, and it is our intent to have these recommendations completed within the next 12 months.

Finding (3): The Town did not properly follow GASB and the Capital Assets Management Policy requirements for recording and reporting donated capital assets.

GASB Statement No. 34 requires that donated capital assets are reported at their estimated fair value at the time of the acquisition plus ancillary charges, if any.

¹⁰ The purchase order exceptions overlapped with the quote exceptions. To avoid duplication, we counted the exception values only once as questioned costs.

The Town's Capital Asset Management Administrative Policy, Policy and Procedures states,

C. Acquisition of Capital Assets – All acquisitions will follow the procedures outlined:

...

5. Donated or seized property with a market value in excess of \$1,000 and a useful life greater than two (2) years will be added into the capital assets system. The department must provide written notification to the Finance Department of any donated capital assets along with documentation showing the market value.

The Town did not obtain proper supporting documentation for the fair market value of five (5) out of seven (7) (71%) non-purchase transactions (i.e. donated and confiscated assets), which totaled \$16,494. The acquiring department did not provide written notification of the donated assets to the Finance department for three (3) out of six (6) (50%) donated asset transactions which totaled \$9,078.

The lack of proper documentation for the assets' fair market values was a violation of GASB Statement No. 34; therefore, **\$16,494** is a questioned cost. The lack of written notification to the Finance Department was a violation of the Capital Asset Management Policy; therefore, **\$3,834¹¹** is a questioned cost.

The Town's staff provided documentation for the fair market values, but the documentation did not properly support the fair market value at the time of the acquisition, as required by GASB Statement No. 34. The documentation provided did not show a specific date or source or was provided by the donor. Additionally, it appears the Town overlooked the Capital Asset Management Policy requirement for written notification to Finance Department of any donated capital assets.

A lack of proper documentation to support the fair market value of a capital asset can lead to improper valuation of the asset in the financial records and statements. Additionally, there is an increased risk that donated capital assets are not properly recorded in the financial statements when proper written notification is not provided to the Finance Department.

Recommendations:

- (6) The Town comply with the GASB requirements and obtain proper documentation, at the time of acquisition, to support the fair value of a donated capital asset.**

¹¹ The exceptions noted for lack of written notification to the Finance Department overlapped with the exceptions noted for lack of proper documentation for fair market value. To avoid duplication of questioned costs, we counted the exception values only once as questioned costs.

- (7) The Town comply with the Capital Asset Management Policy and provide the Finance Department written notification when a donated capital asset is accepted.
- (8) The Town train staff on the requirements for proper documentation of the fair market value of donated assets and the required written notifications.

Management Response:

The Town agrees with the findings and recommendations. The Town has already begun revisions to the policy to ensure compliance and will provide training upon policy approval. It is our intent to have these recommendations completed within the next 12 months.

Finding (4): The Town lacked adequate written guidance for tracking and protecting IT inventory items.

A. General Standards for Best Practices in IT

The National Institute of Standards and Technology¹² (NIST) is a physical sciences laboratory, and a non-regulatory agency within the United States Department of Commerce. NIST published its *Framework for Improving Critical Infrastructure Cybersecurity*. The NIST Cybersecurity Framework is a voluntary guidance consisting of standards, guidelines, and best practices for organizations to better manage and reduce cybersecurity risk.

Cybersecurity Framework's¹³ core "Identify" function includes the following categories and sub-categories related to the tracking and protecting of IT inventory items:

- Asset management – The data, personnel, devices, systems, and facilities that enable the organization to achieve business purposes are identified and managed consistent with their relative importance to the business objectives and the organization's risk strategy.
 - ID.AM-1: Physical devices and systems within the organization are inventoried.
- Governance – The policies, procedures, and processes to manage and monitor the organization's regulatory, legal, risk, environmental, and operational requirements are understood and inform the management of cybersecurity risk.
 - ID. GV-4: Governance and risk management processes address cybersecurity risks.

Similarly, the Center for Internet Security (CIS) is a 501(c)(3) non-profit entity that harnesses the power of a global IT community to safeguard private and public

¹² The NIST's mission is to develop and promote measurement, standards, and technology to enhance productivity, facilitate trade, and improve the quality of life.

¹³ The framework helps organizations determine which activities are most important to assure critical operations and service delivery.

organizations against cybersecurity threats. CIS Controls™¹⁴ include two (2) Basic CIS Controls related to tracking and protecting IT inventory items:

1. Control 1: Inventory and Control of Hardware Assets - Actively manage (inventory, track, and correct) all hardware devices on the network so that only authorized devices are given access, and unauthorized and unmanaged devices are found and prevented from gaining access.
2. Control 2: Inventory and Control of Software Assets - Actively manage (inventory, track, and correct) all software on the network so that only authorized software is installed and can execute, and that unauthorized and unmanaged software is found and prevented from installation or execution.

B. The Town's IT Policies

The Town's Mobile Communication Equipment & Services Administrative Policy, dated November 11, 2013, states the following with respect to mobile IT equipment,

C. Usage of Town Equipment

...Employees who have been assigned mobile communication devices have the following responsibilities:

...

7. Protect the equipment from loss or damage. Upon the discovery of loss or damage, the employee must notify their Department Director and the Information Technology Division via the internal ticketing system....

The Town's Network Security Administrative Policy, dated November 9, 2016, states,

III. Hardware & Software – All new computer hardware & software must be reviewed by IT prior to purchase or installation...If IT finds unauthorized software or hardware, it will be removed from the computer and the Department Director will be notified for possible disciplinary action.

...

VI. "Bring Your Own Device"/Wireless Access – Personal equipment (smart phones, tablets, laptops, etc.) may be allowed to connect to the Town's secured network...Requests are to be made through a service ticket listing the reason along with Director approval. At no time shall personal devices be used to download sensitive data.

Although the Town's Mobile Communication Equipment & Services and Network Security Administrative Policies provide for assigning mobile communication devices and review of hardware and software by the IT Department before purchase or installation, the policies did not provide adequate written guidance to track and protect the Town's IT

¹⁴ CIS Controls™ are the global standard and recognized best practices in securing IT systems and data against attacks. The CIS Controls™ consists of a prioritized set of actions to protect organizations and data from known cyber-attack vectors. The actions include six (6) Basic CIS Controls, ten (10) Foundational CIS Controls, and four (4) Organizational CIS Controls.

inventory items, to include equipment or hardware purchased by the Town or software licensed and paid for by the Town but downloaded to personal devices. The Town tracks fixed assets; however, the Town did not have a policy in place for tracking IT inventory items under \$1,000, as recommended by NIST's best practices. As a result, we noted the following weaknesses in the Town's activities for tracking and protecting IT inventory items:

- The Town did not properly track IT inventory items. The Town was in the process of developing processes to track its IT inventory equipment and had an in-progress IT inventory list.
- The Town stated an annual review of IT inventory items was conducted in conjunction with the capital assets annual review, but did not provide documentation of the review.
- The Town did not have a list of lost or damaged IT items that were under \$1,000 in cost.

The lack of adequate written guidance for tracking and protecting IT inventory items exposes the Town to several risks including, but not limited to:

- Theft or loss of an asset going undetected. Stolen IT equipment may provide access to sensitive information and could lead to data breaches.
- Adversarial connections to the network by unknown systems. Without proper knowledge (including what exists) or control of the hardware and software deployed in the Town, the Town cannot properly secure and protect its assets from being compromised or vulnerable to cyber-attacks.
- Improper costs to the Town for software downloads that exceed the number of licenses purchased by the Town.
- Inadequate planning and execution of system backups, incident response, and recovery. Poorly controlled equipment is more likely to be running software that is not updated, has security flaws or is running malware, which can be a starting point for network breaches.

Recommendations:

- (9) The Town develop and implement policies and procedures to track IT inventory items including hardware and software, as well as, lost and stolen IT inventory items.**
- (10) The Town enhance and finalize its IT inventory asset list to include hardware and software with the following minimum components:**
 - a. Location**
 - b. Security/Risk Classification**
 - c. Designated Custodian**
 - d. Description**
- (11) The Town perform and document the periodic physical inventory of IT items to ensure the list is current and accurate.**

- (12) The Town train staff on implemented policies and procedures for IT inventory items.

Management Response:

The Town agrees with the findings and recommendations. An IT asset inventory with the components listed is complete, and a policy is currently drafted. When approved, staff will be trained. It is our intent to complete these recommendations within the next 12 months.

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

Questioned Costs

Finding	Description	Questioned Costs
2	Capital asset purchases lacked quotes	\$ 22,927.13
3	Donated assets lacked proper support for fair market value	16,494.00
3	Donated assets lacked proper written notification	<u>3,834.00</u>
	TOTAL QUESTIONED COSTS	\$ 43,255.13

ATTACHMENT

Attachment 1 – Town of Lantana’s Management Response, page 15-16

ACKNOWLEDGEMENT

The Inspector General’s audit staff would like to extend our appreciation to the Town of Lantana’s 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 Director of Audit, by email at inspector@pbcgov.org or by telephone at (561) 233-2350.

ATTACHMENT 1 – TOWN OF LANTANA'S MANAGEMENT RESPONSE

Town of Lantana

COUNCILMEMBERS

Philip J Aridas
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DAVID J STEWART
 MAYOR

June 27, 2019

Megan Gaillard
 Director of Audit
 Palm Beach County Office of Inspector General
 PO Box 16568
 West Palm Beach, FL 33416-6568

RE: Draft Audit Report, Town of Lantana – Capital Assets and IT Inventory Items Audit

Dear Ms. Gaillard:

On behalf of the Town of Lantana, please accept this response to the above referenced audit report. It includes the OIG's findings, recommendations, and the Town's responses and proposed corrective actions.

- **Finding (1):** The Town's definition of an asset requiring capitalization and reporting is less restrictive than the GASB requirements.
 - Recommendations:
 - (1) The Town update the Capital Asset Management Policy definition to be consistent with the GASB requirements.
 - (2) The Town train staff on the updated Capital Asset Management Policy.
 - (3) The Town review financial records and purchases to determine if asset purchases should have been recorded as capital assets, and then make the necessary adjustments, as needed.
 - Management's Response: The Town agrees with the findings and recommendations. Revisions to the Capital Asset Management Policy are currently drafted, and when approved, staff will be trained. It is our intent to have these recommendations completed within the next 12 months.

- **Finding (2):** The Town did not follow its Purchasing Ordinance requirements for capital/fixed asset purchases.
 - Recommendations:
 - (4) The Town update or comply with the Purchasing Ordinance requirements for capital/fixed asset acquisitions, specifically for obtaining quotes and purchase orders prior to acquisition.
 - (5) The Town train staff on the Purchasing Ordinance requirements for capital/fixed asset acquisitions.

- Management's Response: The Town agrees with the findings and recommendations. However, 100% of the questionable costs were from individual purchases less than \$1,000 and while noted in the report, we interpreted the Purchasing Ordinance in a different manner that allows for these purchases. The Town has already begun drafting a revised policy, and it is our intent to have these recommendations completed within the next 12 months.
- Finding (3): The Town did not properly follow GASB and the Capital Assets Management Policy requirements for recording and reporting donated capital assets.
 - Recommendations:
 - (6) The Town comply with the GASB requirements and obtain proper documentation, at the time of acquisition, to support the fair value of a donated capital asset.
 - (7) The Town comply with the Capital Asset Management Policy and provide the Finance Department written notification when a donated capital asset is accepted.
 - (8) The Town train staff on the requirements for proper documentation of the fair market value of donated assets and the required written notifications.
 - Management's Response: The Town agrees with the findings and recommendations. The Town has already begun revisions to the policy to ensure compliance and will provide training upon policy approval. It is our intent to have these recommendations completed within the next 12 months.
- Finding (4): The Town lacked adequate written guidance for tracking and protecting IT inventory items.
 - Recommendations:
 - (9) The Town develop and implement policies and procedures to track IT inventory items including hardware and software, as well as, lost and stolen IT inventory items.
 - (10) The Town enhance and finalize its IT inventory asset list to include hardware and software with the following minimum components: a. Location, b. Security/Risk Classification, c. Designated Custodian, d. Description
 - (11) The Town perform and document the periodic physical inventory of IT items to ensure the list is current and accurate.
 - (12) The Town train staff on implemented policies and procedures for IT inventory items.
 - Management's Response: The Town agrees with the findings and recommendations. An IT asset inventory with the components listed is complete, and a policy is currently drafted. When approved, staff will be trained. It is our intent to complete these recommendations within the next 12 months.

On behalf of the Town, I want to thank you and your team for your recommendations for improving our organization.

Respectfully submitted,



Deborah S. Manzo
Town Manager