

County of Ventura
AUDITOR-CONTROLLER
MEMORANDUM

To: Bob Roper, Fire Chief

Date: December 29, 2009

From: Christine L. Cohen

Subject: **AUDIT OF THE VENTURA COUNTY FIRE PROTECTION DISTRICT'S
MANAGEMENT OF SENSITIVE NON-FIXED ASSETS**

EXECUTIVE SUMMARY

We have completed our audit of the Ventura County Fire Protection District's (VCFPD's) management of sensitive non-fixed assets, which were identified mainly as desktop computers, laptop computers, printers, monitors, scanners, and computer servers. Specifically, we conducted a physical inventory of all VCFPD reported computers and servers and evaluated controls over the purchasing, receiving, safeguarding, tracking, and disposing of these assets. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by the Institute of Internal Auditors. Our findings are summarized below with details provided in the attached report.

The audit was initiated in response to a theft of nine VCFPD laptop computers that occurred in October 2007.

Overall, VCFPD appeared to satisfactorily manage sensitive non-fixed assets. For example, we verified that appropriate authorizations were obtained for purchases of sensitive non-fixed assets. We also confirmed that segregation of duties was adequate for purchasing and receiving responsibilities. In addition, we confirmed that logs for receiving sensitive non-fixed assets were sufficient and that the storage environment for sensitive non-fixed assets was reasonably secure.

However, we identified areas where action was needed to strengthen accountability over sensitive non-fixed assets and to address the following conditions noted during our audit:

- The tracking of sensitive non-fixed assets was not always adequate, as indicated by the following results of our physical inventory of 555 reported computers and servers:
 - Twelve (12) assets recorded in VCFPD's Inventory System could not be located.
 - Seventeen (17) assets found at various VCFPD facilities were not recorded in the Inventory System.
 - Fifty-five (55) assets were recorded at the wrong location or with inaccurate status descriptions.
- The process for disposing of sensitive non-fixed assets was in need of improvement to assure that disposals were properly authorized and accurate.
- County identification badges/access cards were not always collected from employees who had separated from County employment, which could place assets at risk of inappropriate access.

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VCFPD management initiated corrective action to address our findings. Corrective action is planned to be completed by March 31, 2010.

We also identified other matters concerning the asset surplus process relating to the General Services Agency (GSA) that were addressed to GSA in a separate report.

We appreciate the cooperation and assistance extended by you and your staff during this audit.

Attachment

cc: Honorable Steve Bennett, Chair, Board of Supervisors
Honorable Kathy Long, Vice Chair, Board of Supervisors
Honorable Linda Parks, Board of Supervisors
Honorable Peter C. Foy, Board of Supervisors
Honorable John C. Zaragoza, Board of Supervisors
Marty Robinson, County Executive Officer
Paul S. Grossgold, Director, GSA

**AUDIT OF THE VENTURA COUNTY FIRE PROTECTION DISTRICT'S
MANAGEMENT OF SENSITIVE NON-FIXED ASSETS**

BACKGROUND:

The Ventura County Fire Protection District (VCFPD) provides fire protection, emergency medical, education, suppression, hazardous material monitoring, rescue and related emergency services to the communities within the District. VCFPD maintained 31 stations and responded to over 30,000 fires, rescues, and public service calls in fiscal year (FY) 2007-08. For FY 2009-10, VCFPD had budgeted revenues of approximately \$125 million, budgeted appropriations of approximately \$138 million, and 577 authorized positions. The audit was initiated in response to a theft of nine VCFPD laptop computers that occurred in October 2007.

VCFPD uses sensitive non-fixed assets to assist in accomplishing VCFPD's mission. Sensitive non-fixed assets are non-capitalized items with a value of less than \$5,000 and may be subject to pilferage and misappropriation if not properly controlled. VCFPD has identified sensitive non-fixed assets as information technology (IT) assets, including desktop computers, laptop computers, printers, monitors, scanners, and computer servers.

VCFPD has over 1,800 sensitive non-fixed assets that are maintained at various facilities, including VCFPD Administration, Station 42 – Backup Dispatch, the Federal Communications Commission (FCC) Building, Supply Annex, and Telecommunications Office. Sensitive non-fixed assets are also located at the 31 fire stations located throughout Ventura County. VCFPD uses a database Inventory System to track the location and status of these assets.

SCOPE:

Our overall audit objective was to evaluate VCFPD's management of sensitive non-fixed assets. Specifically, we:

- confirmed that appropriate authorizations were obtained for the purchase of sensitive non-fixed assets;
- verified that purchasing and receiving of sensitive non-fixed asset duties were segregated from other responsibilities;
- confirmed that inspection of sensitive non-fixed assets received was adequate and proper receiving logs were maintained;
- verified that the sensitive non-fixed asset receiving logs reconciled with supporting documentation;
- evaluated the effectiveness and adequacy of procedures for notifying vendors of non-conforming goods;
- verified that sensitive non-fixed assets were stored in a properly secured environment and that appropriate procedures were in place to ensure safeguarding;
- confirmed that sensitive non-fixed asset information recorded in VCFPD's Inventory System reconciled with supporting documentation and that changes in the Inventory System were properly authorized;
- verified that controls over tracking of sensitive non-fixed assets were in accordance with County policy; and
- evaluated the effectiveness of the asset disposal process.

We performed audit tests and evaluations using documents provided by VCFPD. Also, with the assistance of VCFPD staff, we conducted a physical inventory of all 555 reported desktop computers, laptop computers, blade personal computers (PCs), and computer servers during April 2008.

We also noted issues during our audit that required that we expand our procedures on a limited basis to address surplus property concerns relating to the General Services Agency (GSA).

The audit was performed in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by the Institute of Internal Auditors. For our audit, we used documents and records for the period December 2001 through March 2009.

FINDINGS:

Overall, we found that VCFPD's management of sensitive non-fixed assets appeared satisfactory. Specifically, we verified that appropriate authorizations were obtained for purchases of sensitive non-fixed assets and that segregation of duties was adequate for purchasing and receiving responsibilities. In addition, we confirmed that proper sensitive non-fixed asset receiving logs were maintained and that receiving logs reconciled with supporting documentation. We also verified that sensitive non-fixed assets were stored in a properly secured environment and that procedures generally appeared appropriate to facilitate safeguarding. Each asset that we observed was affixed with a tag number identifying the item as a County asset.

Further, in addition to requesting our audit in response to the thefts, VCFPD acknowledged that periodic physical inventories of sensitive non-fixed assets were not properly conducted and recognized that action was needed to address this concern.

However, we identified areas where further action was needed to strengthen accountability over sensitive non-fixed assets. Our physical inventory disclosed several instances where assets could not be located. We also found instances where located assets were not recorded in the Inventory System and where the asset location recorded in the Inventory System did not correspond to the actual location. In addition, procedures were in need of improvement when disposing of sensitive non-fixed assets to obtain appropriate signatures, maintain accurate supporting documentation, and segregate duties to mitigate the risk of asset misappropriation. Further, we identified that County identification badges/access cards were not always collected from separating employees, which could also place assets at risk.

Following are details of the areas where improvements were needed. Management initiated corrective action during the audit as noted.

1. **Tracking of Sensitive Non-Fixed Assets.** Improvements were needed to properly track sensitive non-fixed assets. Although most of the 555 computers and servers reported in VCFPD's Inventory System were accounted for during our physical inventory, we noted the following:
 - Twelve (12) assets recorded in the Inventory System could not be located, which consisted of 7 desktop computers and 5 blade PCs. Although VCFPD stated that the seven desktop computers were submitted to GSA Surplus, supporting documentation could not be provided to confirm this assertion (see related Finding 2B). VCFPD could not account for the five blade PCs that were missing from the Headquarters IT Lab Stock.

- Seventeen (17) assets found at various VCFPD facilities were not recorded in the Inventory System, which included 10 blade PCs and 1 desktop computer. Also, two laptop computers purchased as part of fire engines and four laptop computers purchased through Joint Apprenticeship Committee funding were not formally tracked by VCFPD. Because these 17 assets were not logged, these items were susceptible to misappropriation without detection.
- Fifty-five (55) assets were recorded in the Inventory System at the wrong location or with inaccurate status descriptions. Specifically, 19 computers were recorded as “surplused” although we found the assets at various VCFPD locations. Another 19 were recorded at various VCFPD locations when the assets had purportedly been surplus or were awaiting surplus. The remaining 17 computers were located at different facilities than where recorded.

Without a complete and accurate record of sensitive non-fixed IT assets, VCFPD’s control over these assets was undermined, placing these items at risk of theft or loss without a viable means to establish accountability.

Management Action. VCFPD management stated:

“VCFPD implemented the following changes to improve its tracking of sensitive non-fixed assets.

1. Data entry and the ability to edit the Inventory System data is now restricted to three employees: the VCFPD IT Services Manager; the IT Service Desk/Inventory Control Manager, who inputs all changes to existing equipment; and an IT Office Assistant, who inputs all new equipment into the inventory system. IT Technicians and selected staff have read only access to the Inventory System.
2. VCFPD now uses a work order form to track issuance, moves, adds or changes (IMAC) to computer hardware. The IT Services Manager or designated IT Inventory Control Manager will not release equipment unless there is a completed and approved work order.
3. VCFPD now uses a form entitled ‘Equipment Issues Hand Receipt’ that employees must sign when they are issued laptop computers. By signing the form the employee agrees to a) be responsible for the equipment, b) return the equipment to VCFPD IT Division upon completion of the assignment and c) not transfer the equipment to another employee without proper authorization and coordination.
4. VCFPD Fiscal Division now tracks and maintains a separate file for all sensitive non-fixed asset purchases and is provided a copy of all sensitive non-fixed asset items submitted to GSA for surplus. This information is used to reconcile the change in inventory from one year to the next.
5. Although physical controls were found to be appropriate, locks have been purchased and installed for storage cabinets to secure both in-stock assets and assets waiting to be surplus.”

2. **Disposal Procedures.** Procedures were in need of improvement to assure that disposals of sensitive non-fixed assets were properly authorized and accurate. The County Administrative Policy on *Disposition of Surplus Personal Property* [Policy No. Chapter VII (B) – 8] requires that departments submit an Inventory Release form to GSA to document the sensitive non-fixed assets that are sent to GSA Surplus. However, written authorizations and acknowledgments were not always obtained on the Inventory Release forms and documentation was not always maintained or accurate to support that certain items were properly surplus. In addition, we noted that duties were not always properly segregated and compensating controls had not been implemented to mitigate the risk of asset misappropriation.
 - A. **Written Authorization.** Written VCFPD authorization and GSA acknowledgment was not always obtained on the Inventory Release forms to document the proper disposal of sensitive non-fixed assets. Our review of 21 Inventory Release forms processed during December 2001 through February 2008, which documented the surplus of nearly 250 items, disclosed that 20 forms (95%) were signed only by VCFPD IT staff without management signatures and 1 form (5%) was not signed by any VCFPD personnel. In addition, 18 forms (86%) did not contain GSA signatures confirming that the items had been received by GSA Surplus. Although VCFPD management stated that all Inventory Release forms were reviewed prior to surplus the items, appropriate signatures were necessary to confirm the authority and authenticity of surplus actions.

Management Action. VCFPD management stated:

“Even though the County policy does not require departments to have two signatures to surplus assets, VCFPD now requires all inventory release forms (PAOF-92) to be signed by both the VCFPD IT Technician, who transports the assets, and the VCFPD IT Inventory Control Manager. The form is then signed by GSA confirming receipt of surplus items. The IT Inventory Control Manager updates the Inventory System to reflect the surplus equipment. It should be noted that the GSA form does not have two signature lines for the department.

“As mentioned above a copy of the PAOF-92 form is provided to VCFPD Fiscal Division for inventory reconciliation.”

- B. **Supporting Documentation.** Supporting documentation was not always maintained or accurate for sensitive non-fixed assets that were purportedly submitted to GSA for disposal. Our review of 30 IT assets classified as “surplus” in the Inventory System disclosed that the Inventory Release forms for 4 assets (13%) were not retained. Therefore, assurance could not be provided that these items were disposed of properly through GSA Surplus. In addition, serial numbers for 2 (7%) of the 30 assets did not coincide with the serial numbers reported on the Inventory Release forms. This called into question whether the sensitive non-fixed assets classified as “surplus” were the actual items sent to GSA.

Management Action. VCFPD management stated: “Copies of the PAOF-92 forms are maintained by both VCFPD Fiscal and IT Divisions. The IT Technician completes the PAOF-92 form and the VCFPD IT Inventory Control Manager reviews and approves it. County GSA should also maintain a copy.”

- C. **Segregation of Duties.** Duties associated with the disposal of sensitive non-fixed assets were not always properly segregated from other responsibilities to safeguard assets from misappropriation. Specifically, a VCFPD IT staff member responsible for completing the Inventory Release forms and transporting items to GSA Surplus was also authorized to change the location status of sensitive non-fixed assets in the Inventory System. Consequently, the location status of misappropriated items could be falsely recorded as "surplused" without detection because additional procedures had not been implemented to mitigate this risk. For example, management not involved in the surplus process could periodically verify that GSA acknowledged receipt of the surplused items.

Management Action. VCFPD management stated: "As stated above, County policy does not require departments to have two signatures to surplus assets. However, VCFPD Management now requires the PAOF-92 form to be signed by both the VCFPD IT staff member who transports items to GSA Surplus and by a VCFPD IT Manager. IT staff technicians no longer have the ability to change the location status of sensitive non-fixed assets in the Inventory System."

3. **County Identification Badges/Access Cards.** VCFPD did not always collect County identification badges/access cards from employees separating from County employment as required by VCFPD Personnel Practices and Procedures and the County Administrative Policy on *Employee Identification Badge* [Policy No. Chapter IV (B) – 5]. Our review of 25 VCFPD staff reported on selected facility access lists/reports as of July 30, 2008, disclosed that County identification badges/access cards were not retrieved for 2 employees (8%) that separated from County employment in February 2005 and March 2008. Although the employees were listed on the access reports because of clearance codes tied to the identification badges/access cards, we confirmed that access privileges had been terminated and that no activity had been reported for either employee after separation. (Note: Due to the implementation of a new access system in 2007 by GSA, we could not confirm employee facilities access prior to 2007 for the employee that separated from County employment in 2005). However, retrieving employees' County identification badges/access cards upon separation is vital to the maintenance of a secure workplace and to safeguard assets from inappropriate access.

Management Action. VCFPD management stated:

"It is a VCFPD procedure to collect badge/access cards from employees separating from the County and to notify GSA to revoke an individual's electronic access to County facilities. To help ensure that this occurs, VCFPD managers will be required to turn in the separated employee's badge to VCFPD HR.

"It should be noted that only specific VCFPD IT and some Executive Staff employees have access via their badge/access cards to the Headquarters IT computer lab. The two employees referenced above did not have access to the Headquarters IT Computer Lab."

AUDITOR'S EVALUATION OF MANAGEMENT ACTION: We believe that management actions taken or planned were responsive to the audit findings. Management planned to complete corrective actions by March 31, 2010.

ADDITIONAL LIMITED AUDIT PROCEDURES: Our audit also disclosed other matters that pertained to the GSA Central Warehouse/Distribution Division (GSA Surplus), which are presented to VCFPD management in this report for informational purposes only. Specifically, we noted that GSA Surplus staff

did not always verify non-fixed asset information reported on the Inventory Release forms upon receipt of the items. We also noted that the storage room used by GSA Surplus to safeguard surplus property was not sufficiently restricted to GSA Surplus staff only. Because these matters were not reflective of or contingent on action taken by VCFPD, our concerns have been addressed to GSA in a separate report. Therefore, a response from VCFPD management is not required.

We appreciate the cooperation and assistance extended by you and your staff during this audit.