



Council Auditor's Office

Follow-Up on Capital Assets Audit

Report # 824A

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OFFICE OF THE COUNCIL AUDITOR
Suite 200, St. James Building



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Honorable Members of the City Council
City of Jacksonville

The purpose of this report is to document our follow-up review of our past report #824, Capital Assets Audit, and to determine whether corrective action has been taken in response to our findings and recommendations. We are providing this special written report in accordance with Ordinance Code Section 102.102. This report does not represent an audit or attestation conducted pursuant to Government Auditing Standards. The initial audit report can be found on our website.

We sent a follow-up letter to Brian Hughes, former Chief Administrative Officer on February 22, 2023, inquiring as to the status of the original audit report recommendations. We reviewed the recommendations from our audit report, the auditees' responses to the recommendations, and the auditees' responses to our follow-up letter. We then performed limited testing to verify responses.

Based on the responses received and our follow-up testing, a table detailing the original number of issues noted and the number of issues resolved as of this follow-up is included below.

Types of Issues	Original Number of Issues	Issues Cleared	Remaining Issues
Internal Control Weaknesses	3	3	0
Findings	9	6	3
Opportunities for Improvement	3	2	1
Total	15	11	4

The following is a brief summary of the remaining issues with responses from the Finance and Administration Department.

Finding 2 *City Assets Unable to be Located*

In the original audit, 2 (or 2.3%) out of 87 City assets tested were unable to be located and did not appear to be in the City's possession. These assets had an original book value of \$5,280 and a net book value of \$315 as of September 30, 2017. These items were marked as being located during the inventory performed during the summer of 2017. These items have since been moved to the listing of lost, missing, or stolen assets.

Each year, a random inventory of approximately 200 assets was performed by the capital assets group as a check on the most recently completed annual tangible property inventory performed by the various departments throughout the City. Based on our inventory and the Accounting Division's, it appeared that the annual inventories performed by the various departments, in some cases, were not being performed properly at the time of our original audit.

During the follow-up, the Accounting Division stated that due to the challenges in moving asset tracking from the old system to the new system, plus staffing issues experienced until late 2022, the Capital Assets group had not yet been able to reinstitute a sampling process. When we were wrapping up follow-up testing, the Accounting Division stated that their random inventory audit commenced in September 2023, during which they had audited five departments. In preparation for this process, they developed an inventory audit program and have compiled some findings. They were in the process of formulating a corrective action plan to be distributed to the departments with findings. We had requested to review what they found, but were not provided the information.

We continue to recommend that the Accounting Division evaluate the random inventory process being performed and we will review the process as part of the next follow-up.

Accounting Response to the Follow-Up of Finding 2

Agree

Disagree

Partially Agree

The Capital Assets group policy for random inventory audits (RIAs) is now to conduct 12 audits each quarter, roughly one audit per week. No RIAs will be conducted during the first quarter as the Annual Inventory kicks off during that quarter. Each random audit will sample 10 items, with an annual goal of auditing 360 random items.

Finding 3 * Untimely Entry of Transactions into the System *

During the original audit, we found that there were significant delays in the timing of recently purchased assets being added to the capital assets tracking system. Per the Accounting Division, the delays in entering additions into the system were due to complications with the tagging process. These complications included lack of communication between the capital assets group and the various departments, assets being placed into service prior to tagging, and limited staff availability. Furthermore, we found timeliness issues with other transactions being processed in the capital assets tracking system. Overall, we noted that the capital assets group had not been consistently stamping all support received with the date it was received. This could cause the appearance of untimely processing.

We also found during the original audit that there were no SOPs regarding the timely entry of transactions into the capital asset tracking system. Also, there was not a capital assets group policy or procedure that indicated supporting documentation (purchase orders, transfer forms, police reports, etc.) should be stamped with the date received. Information should be entered into the system in a reasonable time period to ensure relevant and accurate reporting. Stamping support when received allows timeliness to be better tracked, which can help identify the potential cause of untimely processing.

During the follow-up, we found that 11 out of 20 (or 55%) transactions tested were not entered in the Fixed Assets System within 14 calendar days. Given that there is not a written policy on a time frame by which to enter assets into the system, we deemed 14 calendar days to be a reasonable amount of time to enter the transactions. We found that for the other 9 out of 20 (or 45%) transactions tested, the support on file was not stamped by the Capital Asset Group at the time they received the documents. Therefore, we could not confirm that any of the transactions were entered into the system within 14 calendar days.

We continue to recommend that the Accounting Division review the tagging and transaction entry processes for ways to increase efficiency. The Accounting Division should develop benchmarks for the timely entry of transactions into the capital asset system. These benchmarks should be added to policies and procedures with a process for how timeliness can be tracked.

Accounting Response to the Follow-Up of Finding 3

Agree

Disagree

Partially Agree

The Capital Assets group within Accounting continues to explore our processes and procedures for ways to increase efficiency, especially now that the team is fully staffed for the first time in over four years. We will develop benchmarks for the timely entry of transactions in the capital asset system. Updated policies and procedures will include these benchmarks and detail how timeliness can be tracked.

Finding 4 *Lost, Missing, and Stolen Assets not Reported to Council Auditor's Office*

During the original audit we found that of the 437 capital assets identified by departments as lost, missing, or stolen in fiscal year 2016/17, only 14 (or 3.2%) of them were reported to the Council Auditor's Office. Section 102.104 of the City's municipal code dictates:

"Whenever a custodian, property officer or accountable officer responsible for public funds or public property discovers a loss, unexplained disappearance or theft of the funds or property for which he is responsible or accountable, he shall report the apparent loss, unexplained disappearance or theft to the Council Auditor's Office at the same time as it is reported to the Office of the Sheriff as required by Section 122.810."

During the follow-up, we found that 2 out of 3 stolen/missing assets tested were not reported to the Council Auditor's Office.

We continue to recommend that the City adhere to the reporting requirements of Section 102.104 of the City's Municipal Code when reporting items as lost, missing or stolen. We recommend that the City's Accounting Division remind areas of this requirement when they are notified of lost, missing or stolen items.

Accounting Response to the Follow-Up of Finding 4

Agree Disagree Partially Agree

When the Capital Assets group is notified of items reported as lost, missing or stolen, we will remind the departments' accountable officers of the City's municipal code Section 122.810 requirement that they report the apparent loss, unexplained disappearance or theft to the Council Auditor's Office at the same time as reported to the Office of the Sheriff.

Opportunity for Improvement 1 *Possible Compliance Issues and Limitations of the Capital Asset Tracking System*

During our original audit we found that the property records kept in the system did not contain all necessary information as required by the Florida Administrative Code Chapter 69I-73, including the last inventoried date, condition, responsible custodian, detailed location, method of acquisition, and disposition information including witness of disposal for items cannibalized, scrapped or destroyed. For example, disposition records were only maintained in hardcopy form and custodian information was maintained in a separate spreadsheet, which was organized by City activities and not maintained at the asset level.

During the follow-up, we found that the City is not tracking in the new Fixed Assets system all necessary information as required by the Florida Administrative Code. The items not included are the last inventoried date, responsible custodian, and disposition information including witness of disposal for items cannibalized, scrapped or destroyed.

We continue to recommend that the City address these compliance issues in the new Fixed Assets system.

Accounting Response to Opportunity for Improvement 1

Agree Disagree Partially Agree

The Capital Assets group will address these compliance issues and ensure all necessary information is accurately recorded in 1Cloud.

We would like to thank the Finance and Administration Department for their cooperation in conducting this follow-up review.

Respectfully submitted,

Kim Taylor

Kim Taylor, CPA
Council Auditor