



**Internal Audit Committee  
of  
Brevard County, Florida**

**Internal Audit Review of**

**Property Control**

**Prepared By:  
Internal Auditors of Brevard County  
April 22, 2002**

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April 22, 2002

The Audit Committee of  
Brevard County, Florida  
Viera, Florida 32940-6699

Pursuant to the approved 2001/2002 internal audit plan, we hereby submit our internal audit report covering Property Control. We will be presenting this report to the Audit committee at the next scheduled meeting on May 30, 2002.

Our report is organized in the following sections:

<b>Background</b>	This provides an overview of Property Control.
<b>Objectives and Approach</b>	The internal audit objectives and focus are expanded upon in this section as well as a review of the various phases of our approach.
<b>Issues and Recommended Action</b>	This section gives a description of the issues, the impact and recommended action. Management's response has been incorporated into this section as well.

The follow-up process for the issues identified in this report will consist of the following:

- ❑ County Management will follow-up with responsible personnel and report to the audit committee on a quarterly basis using the approved format.
- ❑ The Internal Auditors will conduct a formal follow-up review within 6 months of the issued report and report back to the audit committee at the regularly scheduled meeting.

We would like to thank the various departments and all those involved in assisting the Internal Auditors in connection with their review of Property Control.

Respectfully Submitted,

**INTERNAL AUDITORS**

# **Background**

# Background

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As of September 30, 2001, Brevard County owns in excess of \$680 million of tangible property and equipment generally referred to as capital assets. In addition to County ordinances, policies and procedures, Florida Statute and rules of the Auditor General govern property accountability and control.

The County has organized the primary responsibility for the accountability and control of capital assets under the Property Control department. However, there is a direct link between Property Control and County Finance. County Finance is responsible for ensuring that capital transactions are recorded and reported in accordance with generally accepted accounting principals. As an example it is the responsibility of County Finance to balance the general ledger control accounts with the fixed asset register maintained by Property Control. Our audit included the role of County Finance as it related to accountability and reporting of capital assets.

Property Control includes the following:

- ❑ Accounting and Reporting of capital assets such as: land, land improvements, buildings, building improvements, construction in progress, machinery and equipment, vehicles, infrastructure, easements and road right-of-ways.
- ❑ Maintain proper accountability and control of all capital assets.
- ❑ Conduct an annual inventory of all County owned tangible property.
- ❑ Utilize methods to accurately identify, record, and evaluate capital assets.
- ❑ Manage and coordinate the collection, re-distribution and disposal of surplus property.
- ❑ Ensure compliance with federal and state laws, Rules of Auditor General, and Board Policies and Procedures as it relates to capital assets.
- ❑ Tracking of assets for purposes of insurance and providing such information to Risk Management.

Property Control utilizes SAP (implemented in 1999) an integrated fixed asset and accounting package to track capital assets. Property Control procedures for tangible personal property consist of the following:

- ❑ Review of paid purchase order listing for tangible personal property.
- ❑ Reviews invoices as necessary.
- ❑ Property Control then records fixed asset in inventory, which then in turn posts to fixed assets and related contra accounts in the general ledger.
- ❑ Spreadsheet is sent to County Finance fund accountants for verification and balancing.
- ❑ Property Control Agents are provided a “Report of Acquisition” for new equipment, which then generates the tagging process.

There is not a specific procedure in place for the notification and recording of real property and improvements. Recording of these assets is generated from communication with County Finance, as well as the various individual departments. This is further expanded in our issues and recommended actions.

## Financial Data

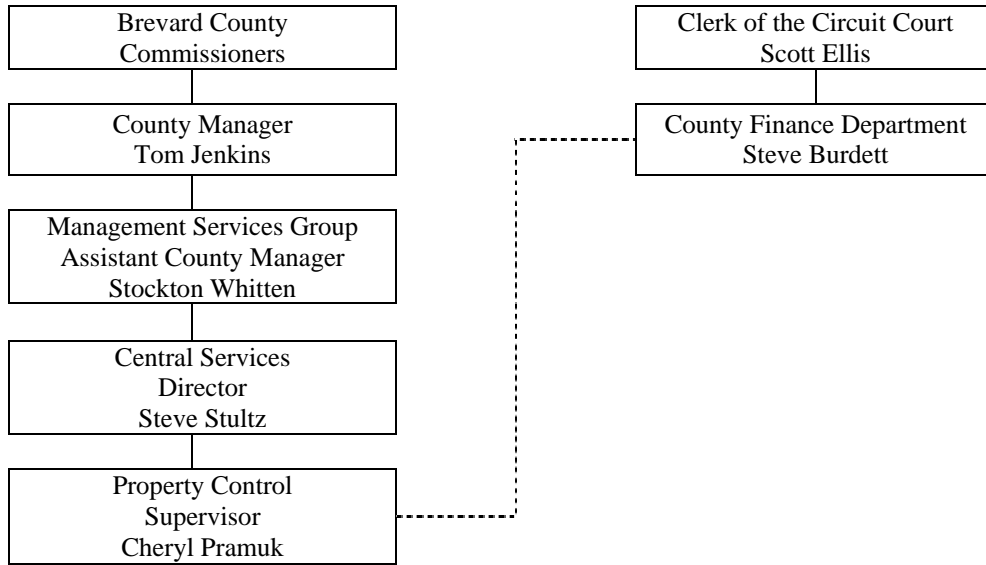
Capital assets of Brevard County, Florida at September 30, 2001, per the audited financial statements are categorized at cost as follows:

Type	Governmental Activities	Business-type Activities	Totals
Land and other non-depreciable assets	\$103,773,284	\$37,870,370	\$141,643,654
Construction in progress	19,247,826	31,349,459	50,597,285
Buildings and structures	120,878,001	23,482,871	144,360,872
Infrastructure	1,639,157	-	1,639,157
Improvements to land	172,803	-	172,803
Improvements other than buildings	14,450,061	217,300,108	231,750,169
Operating machinery and equipment	83,277,111	30,380,038	113,657,149
<b>Total Assets</b>	<b>\$343,438,243</b>	<b>\$340,382,846</b>	<b>\$683,821,089</b>

# Background-continued

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## Organizational Structure



The current Property Control Supervisor was promoted in May 2000. The department has four Property Control agents. Since May 2000 the department has dedicated extensive time in performing an inventory of all tangible personal property, as well as real property. In addition, they have been updating the property records for discrepancies that have existed over an indefinite number of years. We would like to note that the department has made great strides in the “clean up” process, which was required due to these prior discrepancies. However, as identified in the “Issues and Recommended Actions” we have identified significant system and control issues that still need to be addressed.

## **Objectives and Approach**

# Objectives and Approach

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## Objectives

Objectives of the internal audit review of Property Control include the following:

<input type="checkbox"/> Determine that property records are maintained in accordance with the Rules of the Auditor General, Florida Statute, Brevard County policies and administrative orders.
<input type="checkbox"/> Determine that property additions are tagged and accounted for in accordance with Property Control requirements.
<input type="checkbox"/> Determine that any dispositions of tangible personal property, including surplus property are handled in accordance with Florida Statute and Brevard County policies.
<input type="checkbox"/> Determine that real property acquisitions and dispositions are handled and accounted for in accordance with Florida Statute and Brevard County policies.
<input type="checkbox"/> Determine that an annual physical inventory was taken in accordance with the Rules of the Auditor General and Florida Statute.
<input type="checkbox"/> Determine that controls relating to the financial reporting of capital assets are adequate and provide for appropriate reconciliations.

## Approach

Our audit approach consisted of three phases:

### Understanding and Documentation of the Process

During phase one, we interviewed the Supervisor of Property Control and the Director of Central Services to discuss the scope and objectives of the audit work, obtain preliminary data, and establish working arrangements. We researched and reviewed applicable Florida Statutes, Rules of the Auditor General, Brevard County policies and administrative orders. We also interviewed County Finance to determine how County Finance interacts with Property Control.

# **Objectives and Approach - continued**

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## **Detailed Testing**

The purpose of this phase was the development of applicable tests of compliance and controls. Our fieldwork was conducted at the Property Control office, as well as various site locations throughout the County. We utilized sampling and other auditing techniques as follows to meet our audit objectives outlined above:

- ❑ A sample of assets as of September 30, 2001, which we reviewed property records and physically located the asset.
- ❑ A sample of fiscal year 2000/2001 and current year-to-date acquisitions.
- ❑ A sample of real property acquisitions and dispositions during fiscal year 2000/2001.
- ❑ A review of the latest physical inventory and related procedures.
- ❑ Reconciliation between County Finance and Property Control.

## **Reporting**

At the conclusion of our audit, we summarized our findings related to Property Control. We conducted an exit conference with the Supervisor of Property Control, Director of Central Services, Assistant County Finance Director, Assistant County Manager of Management Services Group and County Manager. We have incorporated management's response into our report.

## **Issues and Recommended Action**

**Issue # 1**

**Annual Inventory**

Florida Statute 274.02 and Rules of the Auditor General – Chapter 10.2480 require a complete physical inventory of tangible property shall be taken annually.

We noted the following with respect to annual inventory dates:

1993 - 1997	Individual custodian inventory counts were performed by Property Control in this time period. A complete physical inventory was never finished.
September 1997	Contracted outside firm to perform inventory. This firm never completed an inventory and was dismissed due to lack of performance.
May 2000 – April 2001	Property Control personnel took a complete physical inventory during this period.
January 2002	Property Control expects to complete the current physical inventory by September 2002.

The January 2002 inventory cycle started within eight months of completion of the last inventory. The County utilized the inventory that occurred between May 2000 and April 2001 as their baseline for both the fiscal year 2000 and 2001 inventories. Separate inventories should have occurred for each year.

**Impact**

- Technically the County is not in compliance with the Florida Statute or Rules of the Auditor General.
- Without a complete physical inventory, controls over the assets are at risk and there is a higher susceptibility to theft.

**Recommended Action**

We recommend the County continue its effort to bring the inventory cycle in compliance. Based on the estimated completion date of the current inventory, if the County continues on this cycle they will be in compliance with the time frame set out in Florida Statute and Rules of the Auditor General in fiscal year 2001/2002.

<b><i>Issue # 1</i></b>	<b><i>Annual Inventory - Continued</i></b>
<b><i>Management Response</i></b>	
<p><b>Response</b></p>	<p>The FY01-02 physical inventory was started in January 2002 with completion projected for September 2002. Based on the estimated completion date, Property Control will be in compliance with the time frame set forth in Fla. Statute 274.02 and Rules of the Auditor General. Future inventory schedules will be planned for inventories to be completed in a fiscal year to avoid any overlapping of fiscal cycles.</p> <p>Resulting from an attempt to privatize the physical inventory process in 1997, the Property Control Office was downsized from six to two staff members. The contractor failed to complete a physical inventory and was subsequently terminated. Consequentially, physical inventories attempted with limited Property Control staff again assuming responsibility for physical inventories were not finalized.</p> <p>A transition of supervisors was made in May 2000 and an additional position was reassigned to Property Control in June 2000. Beginning in May 2000 a complete inventory was performed and completed in April 2001. Two permanent full time positions were approved and staffed in November 2001 bringing current staff to five budgeted full time equivalent positions. During the annual inventory conducted during May 2000 to April 2001, 98.1% of the items registered on the County's inventory were identified. Additionally, extensive efforts have been undertaken to update the building and land records.</p>
<p><b>Time frame</b></p>	<p>Full compliance by September 2002.</p>
<p><b>Person Responsible</b></p>	<p>Steve Stultz, Central Services Director</p>

## ***Issue # 2***

## ***Uncorroborated Assets***

During our review of the general ledger for fiscal year 2001 we noted that County Finance made several manual postings to fixed asset control accounts. Upon further review we noted the following regarding these manual postings:

- ❑ We noted an account titled “equipment” in the amount of \$400,524 included in capital assets on the general ledger. This asset is not included in the detailed property record listing maintained by Property Control. Per discussions with Property Control and County Finance, it is believed that this amount consisted of specialized library equipment and related software. However at the time of audit County staff could not confirm the existence of these assets.
- ❑ We noted an account titled “buildings (manually posted)” in the amount of \$276,407 included in capital assets on the general ledger. After further review and discussion with County Finance staff it was determined that this amount was a posting by County Finance for T Hangers at Valkeria Airport which County Finance believed was not included in the detail property records maintained by Property Control. After completion of our audit we noted that these hangers are included in the detailed records. Therefore, these assets have been accounted for twice in the general ledger.
- ❑ We noted an account titled “improvements o/t bldgs (manually posted)” in the amount of \$8,865,834 included in capital assets on the general ledger. In prior years different fund accountants tracked “improvements other than buildings” in County Finance. Thus amounts are not included in the detailed Property Control records. County Finance was unable to provide us with a detailed listing of assets that made up this account.

### ***Impact***

- ❑ Due to the fact that these accounts are not supported by detailed listings, the assets of the County may be under or over stated.
- ❑ Assets recorded through manual postings are not reflected in the detail records maintained by Property Control and therefore would not be included in the inventory process.
- ❑ Unidentified assets could go uninsured. (See issue 4).

<b>Issue # 2</b>	<b><i>Uncorroborated Assets - Continued</i></b>
	<p><b><i>Recommended Action</i></b></p> <p>All tangible (real and personal) property should be tracked in the detail inventory records maintained in Property Control. These records should be reconciled to capital outlay and general ledger control accounts maintained by County Finance on a regular basis.</p> <p>In addition, manual entries by County Finance to fixed asset control accounts should be avoided. All postings to fixed assets should go through the established control process. This process should start with an initial posting to the detail register in Property Control, which ultimately posts to the control account maintained in County Finance.</p> <p>Any changes from County Finance to detailed Property Control records, such as, capitalized engineering cost, construction period interest, capital leases, and other necessary corrections should be requested and processed through Property Control. This could be accomplished by the utilization of a standard form.</p>
	<p><b><i>Management Response</i></b></p>
<p><b>Response</b></p>	<p><b><u>County Finance</u></b>  County Finance staff is eliminating manual postings to the ledger. Substantial documentation, as defined within a new County Administrative Order will be required for all future acquisitions and adjustments.</p> <p>To assist County Finance with regard to “manual posting issue” all required documentation will be consolidated and maintained by Property Control. Additionally, access to the property records for the posting of acquisitions will be limited to Property Control staff.</p> <p>Prior to implementation of SAP in October 1999, a manual entry titled “Equipment” in the amount of \$400,524 was made to the general ledger. County Finance believes the asset to be CLSI software for Library Services. Available documents and records in addition to staff information could not substantiate the original purchase of this software however current Library Services Information Systems staff believes that the above referenced entry is for the software that is still utilized by Library Services.</p> <p>Prior to SAP manual entries titled “Improvements O/T bldgs.” were made to the general ledger in the amount of \$8,865,834. Due to employee turnover, County Finance staff was unable to provide detailed documentation for these postings.</p> <p><b><u>Property Control</u></b>  Property Control, in cooperation with County Finance, is now posting all fixed assets to the detail register in Property Control, which ultimately posts to the control account maintained in Finance. County Finance will review the detail register and notify Property Control (standard form) of changes, such as capitalized engineering costs, construction period interest, capital leases, and other necessary corrections. County Finance will provide all required backup and documentation to Property Control. Property Control has requested an additional position (Accountant I) in the FY 02-03 budget: October 1, 2002 to ensure adequate review and custody of asset records are maintained.</p>

<b><i>Issue # 2</i></b>	<b><i>Uncorroborated Assets - Continued</i></b>
<b><i>Management Response - Continued</i></b>	
<b>Response</b>	Property Control initiated a full inventory of all buildings and other structures subsequent to September 30, 2001. County Finance and Property Control staffs have to date reconciled 140 buildings/structures on the general ledger and property records system.
<b>Time frame</b>	<ul style="list-style-type: none"> <li>▪ Eliminate future manual postings to fixed asset control accounts – May 10, 2002</li> <li>▪ New coordinated procedures for posting, notification and support documentation retention – August 1, 2002</li> </ul>
<b>Person Responsible</b>	Steve Stultz, Central Services Director Kathleen Prothman, Assistant Finance Director, County Finance

**Issue # 3**

***Reconciliation of Property Records to General Ledger Control Accounts***

At September 30, 2001 a net adjustment of \$15,548,154 was made by County Finance to write-off amounts carried on the general ledger “building control account”. This adjustment was made to balance the general ledger control accounts to the detailed property records maintained by Property Control. This adjustment could not be supported by detail fixed asset backup.

The above adjustment was made based on the assumption that the detailed property records were complete and accurate. However, during our audit and subsequent to year-end, Property Control has identified over 180 buildings and/or structures that are not recorded in the detail Property Control records. (This is further explained in Issue #4). Based on the above, this adjustment to the general ledger will need to be partially if not fully reversed in the current fiscal year.

In our sample review of Property Control records we identified a land parcel (Indian Harbor Beach-STP-Land), which was recorded in the Property Control records with no associated cost. Upon review of the original deed the cost had been crossed through and no other additional information was available.

In addition, during our audit we reviewed the entries related to the trade-in and subsequent capital lease of golf carts with an approximate value of \$200,000 in January 2001. The disposition of the original golf carts was properly reflected in Property Control detail records. An entry was made on the general ledger by County Finance to record the new leased golf carts. However, Property Control was not notified of the new golf carts and therefore, at the time of our audit these assets were not tagged and recorded in the inventory listing maintained by Property Control.

These discrepancies exist because there is not an established system between County Finance and Property Control to reconcile the detail property records with the general ledger (capital expenditure accounts) on a regular basis. In addition, there is no specific process in place to notify Property Control of such transactions.

***Impact***

- ❑ Write-offs to general ledger control accounts without proper support and authorization could lead to lack of accountability and control over capital assets.
- ❑ A lack of established procedures to reconcile Property Control records with capital expenditures in a timely manner could result in discrepancies.
- ❑ The financial statements of the County could be over or understated due to these discrepancies.
- ❑ Assets, which are not properly tagged and recorded in a timely manner, are more susceptible to theft.

<b>Issue # 3</b>	<b><i>Reconciliation of Property Records to General Ledger Control Accounts-Continued</i></b>
	<p><b><i>Recommended Action</i></b></p> <ul style="list-style-type: none"> <li>❑ The County should set a dollar threshold Control Policy in which adjustments to general ledger control accounts by County Finance require Board approval.</li> <li>❑ We recommend that Property Control verify and maintain copies of source documents to support acquisition details.</li> <li>❑ We recommend a formal written procedure be developed to ensure that capital expenditures and Property Control records are reconciled on a timely basis (quarterly or semi-annually). The procedure should also require the collaboration of Property Control and County Finance personnel to perform the reconciliation.</li> </ul>
	<b><i>Management Response</i></b>
<b>Response</b>	<p>To reduce the occurrences of variances between the general ledger and asset records Property Control and County Finance staff is revising, as appropriate, administrative orders to prescribe, at a minimum, the following:</p> <ul style="list-style-type: none"> <li>▪ Require proper support documentation for changes to the general ledger and asset records.</li> <li>▪ Prohibit manual postings on both the general ledger and asset records without proper support documentation for all future acquisitions and adjustments.</li> <li>▪ Delineation of Property Control and County Finance responsibilities and duties.</li> <li>▪ Procedures and/or processes requiring collaboration of Property Control and County Finance personnel to perform the reconciliation of the general ledger and asset records.</li> </ul> <p>County Finance staff believes based on our research and professional opinion that the \$15,548,154 adjustment was a result of the duplication in capturing the cost of jail construction and not as a result of any of the unidentified structures discovered by Property Control. Real property acquisition for land parcel (Indian Harbor Beach/STP/Land) was recorded in Property Control in 1968 and the deed does reflect a land value of \$0. With no additional information or justification, Property Control recorded the property as reflected on the deed.</p>
<b>Time frame</b>	<ul style="list-style-type: none"> <li>▪ County Finance will provide Property Control with support documentation and golf carts will be entered and tagged - May 31, 2002</li> <li>▪ Policy and /or Administrative Order review/revision - Full implementation - August 1, 2002</li> </ul>
<b>Person Responsible</b>	Steve Stultz, Central Services Director Kathleen Prothman, Assistant Finance Director, County Finance

**Issue # 4*****Tracking and Recording Buildings and Other Improvements***

There has not been a consistent tracking of buildings and other improvements. Buildings were tracked in Property Control, however improvements were tracked in the County Finance department. Based on our audit we noted the following with respect to these areas:

- ❑ Detailed records of improvements were not maintained by County Finance. Therefore, when the County converted to SAP in 1999, improvements and related cost could not be specifically identified. Carrying cost of these improvements at September 30, 2001 was \$8,865,834.
- ❑ Our sample of current year additions included a reuse tank, a bleach storage facility and a lift station all built between 1990 and 1994. These assets were identified during the 2001 inventory process and were not and have not been included in the detailed Property Control records over the years.
  - The cumulative value of these assets was estimated to be \$852,000 by the department. This is the value Property Control utilized to record the assets. Property Control had no other support for the cost of these assets.
- ❑ Detailed records of buildings and other structures are maintained in Property Control however they are not complete. Although these assets are not included in the normal inventory process, during the last inventory buildings and other structures were identified by the Property Control agents that were not included in the Property Control records. Based on this discovery the Property Control Supervisor initiated a full inventory of all buildings and other structures subsequent to September 30, 2001. This process is not complete, however to date over 180 buildings and other structures have been identified that are not included in the Property Control records. The value of these structures has not yet been determined.
- ❑ With respect to the assets identified above, Property Control is obtaining cost from the individual departments to record these assets on the official books and records. These costs are estimates and may not be the actual cost incurred.
- ❑ Risk management utilizes Property Control records to insure County buildings, structures and other improvements. As noted above these records are incomplete.
- ❑ There continues to be a lack of consistent methodology to track construction in progress and to notify Property Control of the completion of such projects. (See Issue #5 for a detailed explanation of this issue).

<b>Issue # 4</b>	<b><i>Tracking and Recording Buildings and Other Improvements - Continued</i></b>
	<p><b><i>Impact</i></b></p> <ul style="list-style-type: none"> <li>❑ County Finance records are not complete or accurate with respect to buildings, structures and other improvements.</li> <li>❑ Without a complete Property Control listing of buildings, structures and improvements the County's assets could be uninsured thus exposing the County to risk of financial loss.</li> </ul> <p><b><i>Recommended Action</i></b></p> <p>We recommend the following actions:</p> <ul style="list-style-type: none"> <li>❑ Revise the existing Administrative Order to include the following: <ul style="list-style-type: none"> <li>▪ Require all buildings and improvements to be tracked in the detailed property records maintained by Property Control.</li> <li>▪ Require Property Control to obtain and maintain backup support for all material and labor cost upon completion of construction. See issue #5 for further recommendation.</li> <li>▪ Require buildings, structures and other improvements to be included on the "Official Receipt for Property". This will serve as a final control point to identify any unrecorded assets, completed projects or dispositions. The custodian should review and sign the receipt annually.</li> </ul> </li> </ul>
	<b><i>Management Response</i></b>
<b>Response</b>	<p>Property Control, in cooperation with County Finance, is reviewing existing Administrative Orders to expand and define responsibilities and duties and provide a methodology to track buildings, improvements and assets under construction. Property Control now requires support documentation for all future acquisitions and adjustments. Procedures are being written to consolidate all required documentation for retention in Property Control.</p> <p>Upon completion of the annual inventory, departments are now required to provide an "Official Receipt for Property" and a detailed record of all buildings, structures and other improvements as an attachment. The custodian is required to review and sign this receipt annually, indicating any discrepancies or omissions to the reports.</p> <p>Prior to implementation of SAP, Property Control was responsible for capturing land and buildings, County Finance captured Improvements and Assets Under Construction. Administrative Order AO-24 required departments to provide Property Control with a Building Detail Card listing the total material and labor costs. This amount was utilized to record the asset in the detailed fixed asset account.</p>

<b><i>Issue # 4</i></b>	<b><i>Tracking and Recording Buildings and Other Improvements - Continued</i></b>
	<b><i>Management Response - Continued</i></b>
<b>Time frame</b>	Administrative Order review/revision: Full implementation - August 1, 2002
<b>Person Responsible</b>	Steve Stultz, Central Services Director Kathleen Prothman, Assistant Finance Director, County Finance

## Issue # 5

## Construction Projects

The County does not utilize a consistent methodology to track construction projects. Based on our audit, we noted the following with respect to construction projects:

- ❑ Projects are typically tracked at the department level. The department is responsible for determining whether to use a separate cost center, internal order or other tracking system outside of SAP.
- ❑ We found that many departments track their projects on separate spreadsheets, maintained solely within the department, and may or may not set-up a cost center or internal order within SAP.
- ❑ The cost of completed projects and related components are normally provided to Property Control via the department. This notification could be an email or a "Property Control building detail card" identifying the amount. Typically there was no backup provided for the cost.
- ❑ Construction projects could consist of several components (i.e. buildings, equipment, improvements and infrastructure). We found that Property Control is often not provided with detail and related backup to properly record the various components.
- ❑ There was not always a reconciliation performed between the department spreadsheets and the accounting records maintained by County Finance.

Specific examples of issues identified during the audit are as follows:

- ❑ We tested the recorded cost associated with S.E. 1<sup>st</sup> Street in District 4. The recorded cost associated with this asset was \$380,474. The total cost for road projects in District 4 was \$417,896, which related to 9 different projects. County Finance was able to provide us with a general ledger print out for the cost center totaling \$417,896, however this did not breakout the 9 different projects. Public Works provided a schedule of the totals for the different projects from their internal records. Although in this case the total tied out, neither County Finance nor Property Control was able to verify the cost per project.
- ❑ Our sample included costs associated with the widening of Dairy Road South during fiscal year 2001. The cost was recorded at \$36,996 as of September 30, 2001 based on a spreadsheet provided by the department. We reviewed the "cost center" general ledger for this account in County Finance and found the total cost to be \$62,048. The cost associated with this project was incorrectly recorded by County Finance in the amount of \$25,052 (\$62,048-\$36,996). This discrepancy occurred because the manual spreadsheets prepared by the department, which are not self-balancing, or the official books and records of the County, were utilized to record the cost of the asset. The spreadsheet was not reconciled to the general ledger prior to capitalizing the asset.

<b>Issue # 5</b>	<b>Construction Projects - Continued</b>
	<p>Specific examples of issues identified during the audit are as follows, continued:</p> <ul style="list-style-type: none"> <li>❑ Our sample included a \$302,133 entry to the West Melbourne Library recorded in fiscal year 2001. The library was completed and capitalized in 1999, however Property Control records understated the value by the \$302,133. County Finance was able to provide us with backup for the correct value and was aware of the error. In this case the error occurred because capital outlay per the “official books and records” maintained by County Finance was not reconciled with Property Control.</li> <li>❑ There were over 25 Parks and Recreation projects with an estimated value of \$2,800,000 completed between 1999 and 2001 at various Parks around the County (i.e., Kennedy Point Park, Sandpoint, Lake Washington, etc.) Property Control was given a list in 2001 by County Finance identifying these completed projects. However, this list did not provide a detail breakout of the components constructed at the Parks. (As noted in issue #3, the general ledger was adjusted \$15,548,154 to reconcile to Property Control, however these assets are not included in the detailed property records).</li> </ul> <p><b>Impact</b></p> <p>As demonstrated above inconsistent methodologies could lead to mis-stated financial and Property Control records, as demonstrated above. In addition, when construction projects are tracked with a system outside the “official books and records”, discrepancies could occur.</p> <p><b>Recommended Action</b></p> <p>The County should adopt a consistent methodology to track construction projects. We recommend the County utilize the existing SAP system (i.e. cost center and/or internal orders) to track costs and eliminate use of separate spreadsheets, which are not self-balancing. The County should also review the ability to accumulate cost as an internal order, which could then link directly to an asset within Property Control. At the completion of the project the asset would then be capitalized.</p>
<b>Management Response</b>	
<b>Response</b>	<p>County Finance, Property Control, and staff from departments heavily involved in construction projects are working together to revise existing policies and administrative orders to develop a consistent methodology for tracking assets under construction and utilization of the Internal Order module of SAP for maintaining cumulative costs for each project.</p>
<b>Time frame</b>	<p>Administrative Order review/revision: August 1, 2002</p> <p>Full Utilization of Internal Orders (SAP) for Construction Projects: November 1, 2002</p>
<b>Person Responsible</b>	<p>Kathy Prothman, Assistant Director, County Finance Steve Stultz, Central Services Director</p>

<b>Issue # 6</b>	<b><i>Controls Surrounding Access to the Property Control Records</i></b>
	<p>We noted that County Finance employees which are outside of Property Control, have access and make changes to Property Control records. During our sample testing we found that Property Control did not have adequate backup to support changes made by the County Finance department. In addition Property Control was not notified of such changes.</p> <p><b><i>Impact</i></b></p> <p>Without appropriate limitations and controls over access to the system, the integrity of Property Control records could be compromised and errors not detected within a reasonable amount of time.</p> <p><b><i>Recommended Action</i></b></p> <ul style="list-style-type: none"> <li>❑ We recommend that access to Property Control records should be limited to Property Control department personnel.</li> <li>❑ If the County deems it necessary to grant County Finance or others access to Property Control records, we recommend the following: <ul style="list-style-type: none"> <li>▪ Limit access to County Finance Management</li> <li>▪ Develop a procedure, which ensures that Property Control is notified and provided adequate support for any changes. (see also recommended action under Issue # 2).</li> </ul> </li> </ul>
	<b><i>Management Response</i></b>
<b>Response</b>	<p>Property Control, in cooperation with County Finance, is reviewing existing Administrative Orders to expand and define responsibilities and duties required to track buildings, improvements and assets under construction. In order to establish clear responsibility and accountability for asset records, authorization and ability to make entries or changes to the Asset Module is now limited to Property Control personnel.</p> <p>Property Control, in cooperation with County Finance, will be responsible for the following:</p> <ul style="list-style-type: none"> <li>▪ Maintain detailed records and accountability for tangible property.</li> <li>▪ Post all fixed assets through the established control process.</li> <li>▪ Post changes and maintain detailed records, such as capitalized engineering cost, construction period interest, capital leases, and other necessary corrections.</li> <li>▪ Obtain and maintain backup support (including material and labor costs) for land, buildings, improvements, assets under construction, and infrastructures.</li> <li>▪ Provide County Finance with documentation that changes have been made in SAP.</li> </ul>

<b>Issue # 6</b>	<b><i>Controls Surrounding Access to the Property Control Records - Continued</i></b>
	<b><i>Management Response - Continued</i></b>
<b>Time frame</b>	<p>Restricting access to the Asset Module: Target date of October 1, 2002 coincides with the fiscal cycle. Current Property Control staffing level is insufficient to assume the resultant additional responsibilities. Additional staff resources are required to ensure complete compliance. Should the position requested in the FY02/03 budget be approved, implementation would be accomplished at the target date. Should an additional position be acquired at an earlier date, implementation could be accomplished earlier.</p> <p>Administrative Order review/revision: Full implementation – August 1, 2002</p>
<b>Person Responsible</b>	<p>Steve Stultz, Central Services Director  Kathleen Prothman, Assistant Finance Director, County Finance</p>

<b>Issue # 7</b>	<b>Documented Procedures</b>
	<p>Although certain Brevard County Commission policies and Administrative Orders exist related to Property Control, we found these were not always updated in a timely manner. For example:</p> <ul style="list-style-type: none"> <li>❑ Administrative Order 24 “Accountability of County Owned Property” was updated on the scheduled review date, which was April 2002. However, with the implementation of SAP in 1999 significant changes were made to the flow of information, responsibilities and duties, recording of transactions, and related forms. Therefore, from 1999 until April 2002 the existing Administrative Order was not updated to reflect the new process.</li> <li>❑ Although Administrative Orders exist related to County Owned Property, we believe these procedures are not detailed enough related to the communication, tracking and recording of tangible property.</li> </ul> <p><b>Impact</b></p> <ul style="list-style-type: none"> <li>❑ Without clearly defined procedures, transactions may not be recorded in a consistent manner and in accordance generally accepted accounting principles.</li> <li>❑ In the event of employee turnover, lack of clearly defined procedures will lead to inefficiencies, possible discrepancies, and potential non-compliance with laws or policies.</li> </ul> <p><b>Recommended Action</b></p> <ul style="list-style-type: none"> <li>❑ We recommend the County expand the existing Administrative Orders and Brevard County Commission Policies as appropriate and that Property Control and County Finance jointly develop detailed procedures to support such policies.</li> <li>❑ In addition, when major system changes occur as noted above policies and procedures should be updated at that time.</li> </ul>
	<b>Management Response</b>
<b>Response</b>	<p>Property Control, in cooperation with County Finance, is reviewing existing Administrative Order to expand and define specific responsibilities and duties in accordance with generally accepted accounting principles. Procedures are also being implemented to consolidate all required documentation for retention in Property Control. A document checklist is being developed and will be utilized to insure that all required information is obtained and recorded.</p> <p>Property Control is developing a procedural manual for use by County departments and offices to facilitate compliance with Federal, State and County laws, rules and policies relating to asset management.</p> <p>Prior to April 2002, Administrative Order AO-24, Accountability of County Owned Property, was last updated in May 2000 by previous staff. The Administrative Order did not reflect all new duties or related form changes effective with SAP, implemented in October 1999. AO-24 was revised in April 2002, updating reference to currently used forms and procedures related to SAP. In addition, Property Control currently maintains internal departmental procedures related to tangible and real property.</p>

<b><i>Issue # 7</i></b>	<b><i>Documented Procedures - Continued</i></b>
	<b><i>Management Response - Continued</i></b>
<b>Time frame</b>	Administrative Order review/revision: Full implementation - October 1, 2002 Property Control Manual development: April 30, 2003
<b>Person Responsible</b>	Steve Stultz, Central Services Director Kathleen Prothman, Assistant Finance Director, County Finance

<b>Issue # 8</b>	<b>Utilization of SAP</b>
	<p>The Supervisor of Property Control currently identifies and records assets through a predominantly manual process. This entails gathering data from several different sources, including analysis of general ledger detail accounts, manual review of invoices and P.O.'s, and discussions with departments related to current projects, etc., and entering the data into the Property Control System. The Supervisor must review individual line items of the general ledger to determine which items should be capitalized. In any given month, there could be 200 to 250 capitalized transactions identified through this process.</p> <p>In addition, as noted in Issue #5, there is not a consistent utilization of cost centers and/or internal orders to track construction projects.</p> <p><b>Impact</b></p> <p>The impact is three-fold:</p> <ul style="list-style-type: none"> <li>❑ The accuracy of capitalized assets is at risk with a manual process. Due to the numerous transaction and manual process human error is more likely to occur.</li> <li>❑ The time of the Supervisor is extremely valuable and this manual process takes several days to complete.</li> <li>❑ Without a consistent methodology to capture construction projects, building, structures and other improvements could go unrecorded and thus uninsured.</li> </ul> <p><b>Recommended Action</b></p> <ul style="list-style-type: none"> <li>❑ We recommend that representatives from Property Control, County Finance, and ISS review the capabilities of SAP to determine whether the system could be enhanced to allow full integration (i.e. entry by the department, which automatically generates an entry in the detail Property Control records).</li> <li>❑ Alternatively, establish an automated process to capture data for entry into the Property Control System.</li> <li>❑ Establish a guideline, which outlines when to use a cost center and/or internal order. In addition, evaluate the automated posting and tracking of construction projects in the detailed Property Control records.</li> </ul>
	<b>Management Response</b>
<b>Response</b>	<p>Further system enhancements and upgrades are being reviewed. Staff, in conjunction with County Finance staff is also investigating the best method for departments to capture costs; through assignment of a cost center and/or by internal order. Future revision of administrative orders will reflect changes due to system upgrades and/or implementation of additional system features.</p> <p>County Finance Staff believes that accounting for governmental fixed assets is very different than the accounting treatment for fixed assets in the private sector. Adaptation of the private-sector accounting concepts in SAP to suit our needs was determined to be neither cost-effective nor feasible at the date of implementation.</p>

<b><i>Issue # 8</i></b>	<b><i>Utilization of SAP - Continued</i></b>
	<b><i>Management Response - Continued</i></b>
<b>Time frame</b>	Administrative Order review/revision: Full implementation - October 1, 2002 Determine if enhancements can be implemented in the Asset Module - Version 4.6 - Contingent upon implementation schedule
<b>Person Responsible</b>	Steve Stultz, Central Services Director Kathleen Prothman, Assistant Finance Director, County Finance