



COMMISSIONERS COURT
COMMUNICATION

REFERENCE NUMBER CO#119553

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DATE: 02/24/2015

SUBJECT: **RECEIVE AND FILE THE AUDITOR'S REPORT FOR THE COUNTY-OWNED ASSETS INVENTORY AND DISPOSITION PROCESS**

COMMISSIONERS COURT ACTION REQUESTED:

It is requested that the Commissioners Court receive and file the Auditor's Report for the County-Owned Assets Inventory and Disposition Process.

BACKGROUND:

The Auditor's Office performed a review to evaluate the controls over the County's asset inventory process. The objective of the review was to determine whether the County recorded, transferred, and disposed of its assets in compliance with statute and County policy.

FISCAL IMPACT:

There is no direct fiscal impact associated with this item.

SUBMITTED BY: Auditor's Office

PREPARED BY: S. Renee Tidwell
APPROVED BY:



TARRANT COUNTY

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February 3, 2015

Mr. Jack Beacham, Tarrant County Purchasing Agent
The Honorable District Judges
The Honorable Commissioners Court

Re: Auditor's Report – County-Owned Assets Inventory and Disposition Process

SUMMARY

The Auditor's Office performed a review to evaluate the controls over the County's asset inventory process. The objective of the review was to determine whether the County recorded, transferred, and disposed of its assets in compliance with statute and County policy. As a result, we observed that County departments did not always comply with the County-Owned Assets Policy and Procedures Manual.

BACKGROUND

Local Government Code, Section 262.011(i) states:

On July 1 of each year, the county purchasing agent shall file with the county auditor and each of the members of the board that appoints the county purchasing agent an inventory of all the property on hand and belonging to the county and each subdivision, officer, and employee of the county. The county auditor shall carefully examine the inventory and make an accounting for all property purchased or previously inventoried and not appearing in the inventory.

Due to the volume of assets owned by Tarrant County, the annual inventory process relies on self-assessments by the individual departments. Each department head and elected official is responsible for the equipment and furnishings assigned to their department.

The Purchasing Department is responsible for tracking the inventory of non-computer-related assets and updating the assets into SAP. The Purchasing Department provides each County department an Annual Asset Inventory Report that lists equipment and furnishings assigned to their department. It is the department head's responsibility to account for all the items listed on the report. The department head should also communicate any discrepancies, including any assets that are *not* on the Annual Asset Inventory Report, to the Purchasing Department.

The Information Technologies Department (ITD) is responsible for tracking of all computer-related assets and updating those assets into SAP. After ITD completes its inventory, it provides a report to the Purchasing Department. This report includes any discrepancies identified by ITD during its inventory.

Typically, capital assets are recorded into SAP via the requisition, invoice, and good receipt process.

OBSERVATION AND RECOMMENDATION

Observation 1 ***County departments did not always comply with the County-Owned Assets Policy and Procedures Manual.***

Background

On November 19, 1996, the Commissioners Court approved the County-Owned Assets Policy and Procedures Manual prepared by the Purchasing Department. The Commissioners Court approved amendments to the policy on September 9, 1997, September 16, 1997, and July 24, 2001. On February 4, 2003, Commissioners Court also approved recommendations made by the Titan Best Practices Committee to change the value thresholds for computer assets and added a value threshold for building improvements.

The County-Owned Assets Policy and Procedures Manual defines the various categories of County assets and the responsibilities of the departments with regard to the accounting and safekeeping of assets. The policy requires that department heads complete Form FA-01, *Report of Receipt, Transfer or Disposal of Assets*, to document any missing assets along with the receipt, transfer, and disposal of assets. Per policy, departments should forward the completed form to the Purchasing Department and retain a copy for their records.

Observations

County departments did not always complete Form FA-01 as required by current policy when transferring and/or removing assets from a department. We found instances where assets could not be located and where assets were on-hand but were not included on the inventory reports prepared by ITD and the Purchasing Department. The Auditor's Office reported these issues to the Commissioners Court on January 13, 2015.

Furthermore, the County-Owned Assets Policy and Procedures Manual does not reflect procedures currently performed by the Purchasing Department, ITD, and other County departments. With the implementation of SAP, new assets are recorded via the requisition, invoice, and goods receipt process. Therefore, department heads do not need to complete Form FA-01, *Report of Receipt, Transfer or Disposal of Assets*, upon receipt of new assets. Instead, the form should be completed for all transferred, disposed, and missing assets.

Recommendations

Department heads should clearly document the chain of custody for the transfer and disposal of County assets, along with any missing assets. Form FA-01, *Report of Receipt, Transfer or Disposal of Assets*, should be revised to reflect the County’s current process. Since ITD is responsible for computer-related assets and Purchasing is responsible for other assets, each department should consider designing their own form documenting the movement of County assets. The Purchasing Agent should approve the form designed by ITD since statute requires that the Purchasing Agent file the inventory with the County Auditor’s Office. The form should also contain the appropriate department signatures. The Facilities Department should also use this form when removing and transferring assets, including furniture, between County departments. The departments should retain a copy of the completed form and provide the original to the Purchasing Department. For computer-related assets, ITD should also retain a copy of the completed form for their inventory records.

The Purchasing Department is in the process of updating the County-Owned Assets Policy and Procedures Manual to reflect current processes and value thresholds. This policy should also include specific procedures related to assets purchased with grant funds. Once approved by Commissioners Court, this policy is expected to be available on the Purchasing Department’s webpage on the Tarrant County website within the next 60 days. Furthermore, the Purchasing Agent stated that the Purchasing Department’s Fixed Assets Coordinator would periodically meet with each County department head or their designee, particularly a few months before the annual inventory, to ensure understanding of the County’s policy related to fixed assets.

CLOSING REMARKS

We appreciate the cooperation of Purchasing, ITD, and Facilities staff during our review. Please call me if you have any questions regarding the contents of this report.

Sincerely,



S. Renee Tidwell, CPA
County Auditor

Attachment: Management’s response

Team: Imad Mouchayleh, Audit Manager
Julie Hillhouse, Senior Internal Auditor

Distribution: Mr. Christopher Nchopa Ayafor, Chief Information Officer
Rick Brunson, Manager, Special Projects and Relationships
David Phillips, Director Facilities Management
Kristi Hendricks, Fixed Assets Coordinator
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TARRANT COUNTY
PURCHASING DEPARTMENT

JACK BEACHAM, C.P.M., A.P.P.
PURCHASING AGENT

ROB COX, C.P.M., A.P.P.
ASSISTANT

February 18, 2015

S. Renee Tidwell, CPA, County Auditor
The Honorable District Judges
The Honorable Commissioners Court
Tarrant County
Fort Worth, TX 76196

Re: Auditors Report – County Owned Assets Inventory and Disposition Process

The Purchasing Department is certainly aware of our responsibility in regards to Local Government Code, Section 262.011(i).

Since July 1, 1996, we have successfully met that requirement every year, written assets policies and procedures, and had items approved in Commissioners Court. It is my understanding that there was no Fixed Asset Inventory turned in to the Purchasing Board or the County Auditor for five (5) years prior to that date.

Our department somehow manages to accomplish this monumental statutory requirement with only one (1) full time employee. All of the other large urban counties employ anywhere from two (2) to four (4) employees to manage this task. Commissioners Court made the decision years ago to make each department accountable for their own asset inventory by appointing their own internal department asset coordinator.

The department appointed asset coordinator process has worked quite well for Tarrant County. Since I began my job with Tarrant County on January 2, 1996 our fixed asset inventories have drastically improved each year. Our last inventory turned in to the Purchasing Board and the County Auditor on July 1, 2014 was in my opinion our best effort to date. I truly believe the perfect inventory is in the near future.

Although most departments do an outstanding job cooperating with us on this massive yearly task, it has been my observation that there are a select few that do not understand the importance of this requirement. We will work harder to communicate our responsibility to those few and if necessary let the Court know if we are not successful in that endeavor.

The recommended changes to our County Owned Assets Policy and Procedures Manual have been made. Pending discussion with the Auditor's Office we will bring that revision to Commissioners Court for consideration. We will also work with the Information Technology Department to help them design their transfer form.

We truly appreciate the opportunity to comment on these observations and recommendations. Whatever needs to be fixed, we will help make that happen!

Respectfully,



Jack Beacham, C.P.M., A.P.P.
Purchasing Agent

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