Executive Summary

Information technology (IT) resources play an important role in Department operations, and are used to access critical computer systems to issue and store information in support of Department operations. Establishing strong controls to protect Department IT resources is important to ensure inventory accuracy, inventory accountability, and data security.

Section 119.011(9), Florida Statutes (F.S.), defines IT resources as data processing hardware and software and services, communications, supplies, personnel, facility resources, maintenance, and training. For the purpose of this review, IT resources specifically include computer equipment, hardware, and devices (IT equipment).

The Department’s physical inventory process consists of sight verification to ascertain whether property items exist in the location specified on the property record. Rule 69I-72.006, Florida Administrative Code (F.A.C.), requires state agencies to complete physical inventory of all property at least once each fiscal year. Items listed in property records are verified during the Department’s annual inventory process.

The purpose of this audit was to review and evaluate internal controls relating to IT equipment inventory and compliance with applicable laws, and Department policy and procedure.

Part of our examination of IT inventory controls included a physical inventory test at seven Department office locations to ensure IT equipment was accounted for. We included computers, laptops, tablets, printers, servers, and switches in our examination and testing of inventory; specifically focusing on equipment that could access and/or store sensitive and confidential data. Our review determined the following items require management attention:

- Strengthening the recording process could improve the completeness of property records;
- Improved tracking and control over IT equipment is needed;
- The accuracy and completeness of required information contained in property records could be improved; and
- Recording all IT equipment which may contain confidential or sensitive data would increase data security.
Background and Introduction

Section 273.02, F.S., defines “property” as equipment, fixtures, and other tangible personal property of a non-consumable and non-expendable nature. This definition encompasses IT resources and equipment.

Chapter 71A-1, F.A.C., defines IT resources as a broad term describing a set of technology related assets. While in some cases the term includes items such as people and maintenance, as used in this rule, it means computer hardware, software, networks, devices, connections, applications, and data. For the purpose of this examination, IT resources specifically include computer equipment, hardware, and devices (IT equipment).

IT resources play an important role in Department operations, and are used to access critical computer systems to issue and store information in support of Department operations. Establishing strong controls to protect Department IT equipment is important to ensure inventory accuracy, inventory accountability, and data security.

The Bureau of Accounting, Fixed Assets Manager, is responsible for maintaining the records of Department owned property, processing property transfers between locations, removing surplus items, assigning property numbers for all property items, and coordinating, developing, and updating procedures relating to fixed assets.

Recording Information Technology Equipment

Rule 69I-73, F.A.C, establishes requirements for recording property in the state financial system and for the periodic review of property for inventory purposes. State agencies use the Florida Accounting Information Resource (FLAIR) Property Subsystem to create and maintain a property file containing detailed records for accounting and managing property items. The FLAIR Property Subsystem is a subsidiary file of the state’s FLAIR financial system, and all accounting information in the FLAIR Property Subsystem relates directly to the Department’s financial statements. FLAIR property records serve as the basis for calculating insurable content values for each building. Access to the FLAIR Property Subsystem to make additions, deletions, or edits to property records is limited to the Fixed Assets Section staff.

Chapter 69I-72, F.A.C., requires the Department to record all tangible personal property with a value or cost of $1,000 or more, and having a projected useful life of one year or more, in the FLAIR Property Subsystem as property. IT equipment is maintained and tracked in the same manner as non-IT equipment. While there is a separate tracking process for IT equipment procured through the Department and provided to tax collector offices or private tag agencies, there is no special or separate tracking or inventory of Department owned IT equipment. The Department also records some property valued
less than $1,000, such as books, weapons, digital cameras and other related law enforcement equipment, which due to the nature of the item requires more control. The Department uses an access database to record inventory and property transfers, and batches the information to the FLAIR Property Subsystem.

When property items are purchased using My Florida Marketplace, an object code is selected which correlates to a property pending file. Fixed Assets Section staff review items in pending status, and determine which items need to be added to the FLAIR Property Subsystem. Supporting documentation for the purchase, including the purchase request, invoice, and voucher, is reviewed to make this determination.

Once received, property items are marked with a bar code decal (property sticker) bearing a unique property identification number. The property identification number is the primary reference source for the Department’s inventory control system. The item is identified by this number in the FLAIR Property Subsystem and on future property transactions for the life of the item. Property identification numbers are assigned by the Fixed Assets Section and are sequentially generated.

The total value of the Department’s property for the 2015-16 Fiscal Year as reflected in the FLAIR Property Subsystem is $210,316,629. The total value of the Department’s IT equipment for the 2015-16 Fiscal Year is not available, as IT equipment is not identified separately in inventory records.

**Inventory of Information Technology Equipment**

The Department’s physical inventory process consists of sight verification to ascertain whether property items exist in the location specified on the property record. Rule 69I-72.006, F.A.C., requires state agencies to complete physical inventory of all property at least once each fiscal year. Items listed in property records are verified during the Department’s annual inventory process.

Each physical office location appoints (or is assigned) a Custodian Delegate and an Inventory Appointee who are responsible for conducting annual inventory and reporting that property was verified to the Fixed Assets Section. The Fixed Assets Section Manager provides a list of property to the Custodian Delegates and Inventory Appointees as a guide to use during inventory. Because the FLAIR Property Subsystem is the official record of all Department property, reports are pulled from this system to conduct annual inventory.

While conducting inventory, noted differences such as location and condition are investigated and reported to the Fixed Assets Section to be corrected, or alternatively, items are relocated to their assigned location. Items not located during the inventory process are reported using a Missing, Lost, or Stolen Property Form. If an item is
determined stolen, a note should be entered into the individual property record and a report should be filed with the appropriate law enforcement agency. Property reported missing for two consecutive inventory cycles is eligible for write-off approval from the Department of Financial Services. Items can only be removed from property records upon written approval from the State’s Chief Financial Officer.

Physical Inventory Testing

Part of our examination of IT inventory controls included a physical inventory test at seven Department office locations conducted during December 2015, to ensure IT equipment was accounted for. The offices included in the test sample were judgmentally selected based on the volume of IT equipment estimated at the location, the geographic location of the office, and the type of business conducted at the office. The offices included in this test are listed below:

- FHP Troop K Turkey Lake Service Plaza, Ocoee, Florida;
- Motorist Services Regional Office, Tampa, Florida;
- Bureau of Administrative Reviews Office, Orlando, Florida;
- Motorist Services Region V Motor Vehicle Field Office, Orlando, Florida;
- Medical Review Office Suite, Tallahassee, Florida;
- FHP Bureau of Criminal Investigations and Intelligence Office Suite, Tallahassee, Florida; and

We included computers, laptops, tablets, printers, servers, and port switches in our examination and testing of inventory; specifically focusing on equipment that could access and/or store sensitive and confidential data. For logistical reasons, the sample of inventory reviewed during audit testing did not include IT equipment assigned or physically located in law enforcement vehicles.
Findings and Recommendations

During our review of the Department's IT inventory controls and management, we identified the following issues which require management attention:

Property Recording Process

Finding No. 1: Strengthening the recording process could improve the completeness of property records.

Rule 69I-72.002, F.A.C., specifies that all tangible personal property with a value or cost of $1,000 or more and having a projected useful life of one year or more shall be recorded in the state financial system as property for inventory purposes.

Rule 71A-1.011(5), F.A.C., specifies that agencies shall track agency mobile computing devices.

While testing a sample of IT equipment, items not on the property list were located and appear to exceed the threshold for inclusion in Department property records:
- 1 laptop with an approximate value between $1,188.90 and $2,203.21;
- 2 surface pro tablets with an approximate value of $1,753.02 each; and
- 1 smart board with an approximate value of $15,000.

Additionally, six items were located with property labels, but were not on the property list; including:
- Dell MDT laptop, 208788- was added to property on 2/11/16, after audit testing;
- Dell MDT laptop, 208805- was added to property on 2/11/16, after audit testing;
- HP laser jet printer, 137560- write-off request was approved by DFS on 6/18/15;
- HP laser jet printer, 166614- no property records exist for this item;
- HP laser jet printer, 166617- no property records exist for this item; and
- Desktop printer, 156063- no property records exist for this item.

Furthermore, nine laptops not on the property list were located.

IT equipment, particularly items easily transportable such as laptops and tablets, represent attractive and important assets. Items not included in the Department’s property records are not included in the yearly inventory process, and verification of their existence and condition is not confirmed.

The process for adding purchased IT equipment to the property list is reliant on information the purchaser includes during the purchasing process. Without accurate or complete information, the Fixed Assets Section cannot accurately enter required information into the property record.
Department policy indicates property not in the FLAIR Property Subsystem is not insured unless the Fixed Assets Section has been notified. Because FLAIR property records are the basis for calculating insurable content values for each building, it is important to include all applicable IT equipment in Department property records.

**Recommendation**

We recommend the Bureau of Accounting review current processes and procedures to ensure all tangible personal property with a value or cost of $1,000 or more and mobile computing devices are recorded in the state financial system as property for inventory purposes as required by Rule 69I-72.002, F.A.C.

**Management Response**

The Bureau of Accounting will review procedure BA-9, Tangible Personal Property, to ensure that all current processes and procedures are accurately reflected. Additionally, the Bureau of Accounting will include pertinent information to the divisions on the proper payment process of tangible items to ensure property with a value or cost equal to, or greater than, $1,000 and mobile computing devices are recorded in the state financial system. The anticipated completion date is June 30, 2016.

**Property Tracking and Management**

**Finding No. 2:** Improved tracking and control over IT equipment is needed.

Rule 69I-72.003, F.A.C., specifies that custodians shall maintain adequate records of property in their custody.

While testing a sample of IT equipment to verify existence and location in the assigned office/division, 12% of items were not located¹, including the following:

- 2 personal computers;
- 1 laptop;
- 2 server racks;
- 2 servers;
- 1 Cisco 48 port switch;
- 1 multimedia conference system;
- 2 printers; and
- 1 barcode scanner with printer.

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¹ Following our December review, the two personal computers were reported Lost, Missing, or Stolen, the barcode scanner with printer remains unfound as of the date of this report, and the remaining nine items were located and reported to the Fixed Assets Section.
Additionally, the physical location and property record location for 20% of items sampled did not match.

The process of accounting for IT equipment is heavily reliant on Custodian Delegates and Inventory Appointees to report timely changes to the Fixed Assets Section using a Property Transfer Form, or a Missing, Lost or Stolen Form. Completing these forms provides the Fixed Assets Section with the necessary information to accurately add or update property records.

The variances noted in our inventory test indicate improved tracking and control over IT equipment is needed. While it is possible that poor recordkeeping is the cause behind the unaccounted for items, such items can be misappropriated if not routinely inventoried and variances promptly investigated and resolved. Proper inventory accountability requires that detailed property records are maintained, and that property is accurately reported in the Department’s financial management records. Detailed property records are necessary to help provide for the physical accountability of inventory in the event a loss were to occur, since costs for repairs or replacement could be disallowed if the property record is not accurate.

**Recommendation**

We recommend the Bureau of Accounting, who has primary responsibility to maintain records of Department property, work with the various Department divisions to improve the accuracy of the information technology equipment on the current Department property listing.

We recommend the Bureau of Accounting work with the various Department Divisions to identify process improvements for tracking and controlling Department property.

We also recommend the Bureau of Accounting develop annual training curriculum in consultation with the Learning and Development Office for Property Custodian Delegates and Inventory Appointees.

**Management Response**

The Bureau of Accounting will continue to work with the divisions to improve the accuracy of the Department’s information technology equipment. Potential process improvements to enhance tracking and controlling of property are being researched and tested. Additionally, the Bureau of Accounting, in consultation with the Learning and Development Office, has developed mandatory training for Property Custodian Delegates and Inventory Appointees. It is anticipated that the training course will be completed no later than June 30, 2016.
**Property Record Details**

**Finding No. 3:** The accuracy and completeness of required information contained in property records could be improved.

Rule 69I-72.003, F.A.C., requires each property record contain, at minimum, an identification number, item description, physical location, serial number, manufacturer name, year, make, model, and the date the item was last physically inventoried.

During our review of the Department’s property list, we noted instances where information was missing from individual property records, or was inaccurate, as noted below:

- Missing serial numbers;
- Missing manufacturer name;
- Missing year, make, and model (example: “tablet”); and
- Serial numbers listed in property records did not match serial numbers verified on IT equipment.

Additionally, key data fields are not being consistently entered into the property system. For example, we noted the following six different descriptions for the same item:

- M2800 CTO Laptop;
- M2800 Mobile Laptops;
- M2800 Mobile Precision;
- Mobile Precision M2800;
- Precision M2800 Laptop; and
- Precision M2800 CTO.

Accurate and reliable data are essential to an efficient and effective operating environment. The Fixed Assets Section cannot effectively manage Department property if recordkeeping information is inaccurate and incomplete. Also, if property record information is inaccurate and incomplete, costs for repairs or replacement could be disallowed if a loss were to occur.

**Recommendation**

We recommend the Bureau of Accounting review property records to ensure each record contains all required information outlined in Rule 69I-72.003, F.A.C.
Management Response

The Bureau of Accounting will review all active property records in the FLAIR Property Subsystem and update as needed the required fields according to rule 69I-72.003, F.A.C., no later than June 30, 2016.

IT Equipment Included in Property Records

Finding No. 4: Recording all IT equipment which may contain confidential or sensitive data would increase data security.

Rule 71A-1.011(1), F.A.C., specifies that the agency shall identify and document information technology resources and associated owners and custodians. Chapter 71A-1 defines information technology resources as computer hardware, software, networks, devices, connections, applications, and data.

Currently, the Department only records IT equipment as property when the item has a cost of $1,000 or more.

While conducting our review of IT equipment at seven Department office locations, we noted an additional 88 desktop computers which were not included in property records; with an estimated cost of less than $1,000.

While the Department is following the minimum standards for recording property set forth in Florida Administrative Code, there is allowance for the Department to include additional property items costing less than $1,000 which, due to the nature of the items, require more control. The Department exercises this allowance to include weapons, digital cameras and other related law enforcement equipment in property records, regardless of the associated cost or value.

Department computers, including desktops, laptops, and tablets, could contain sensitive and confidential information. These items are particularly easily to transport and represent attractive and important assets. By excluding these Items from the Department’s property records because of their cost, they are not included in the yearly inventory process, and verification of their existence and condition is not confirmed.

Recommendation

We recommend the Division of Administrative Services coordinate with the Division of Information Systems Administration to formally consider recording all IT resources as property to ensure equipment which could contain confidential or sensitive data is
included in the yearly inventory process, and verification of existence and condition is confirmed.

Management Response

The Division of Administrative Services has begun working with the Division of Information Systems Administration to ensure that all IT equipment which could contain confidential or sensitive data is properly accounted for. The proposed solution being discussed would track IT equipment outside of the State’s inventory system administered by the Department of Financial Services in order to minimize the effect on the Department’s State financial records. Following a decision on the methodology and systems to be used for the tracking of the equipment, it is anticipated that a statewide roll out of any new system will require several months to be completed. The tentative goal would be to have a new system purchased or otherwise acquired by December 31, 2016.

Purpose, Scope, and Methodology

The purpose of this audit was to review and evaluate internal controls relating to IT equipment inventory and compliance with applicable laws, and Department policy and procedure.

The scope of this audit included inventory records, physical inventory, policies and practices relating to Department inventory controls and IT inventory controls.

The methodology included:

- Reviewing applicable Federal and Florida Statutes, rules, manuals, and procedures;
- Reviewing Department policies and procedures;
- Reviewing key internal controls over the IT asset management process;
- Reviewing Department inventory records;
- Reviewing Department purchasing records;
- Conducting physical inventory of some Department offices; and
- Interviewing appropriate Department members.
Distribution, Statement of Accordance, and Project Team

Distribution

Terry L. Rhodes, Executive Director
Diana Vaughn, Deputy Executive Director
Steven Fielder, Director Administrative Services
Boyd Dickerson-Walden, Director Information Services Administration
Robert Kynoch, Director of Motorist Services
Gene Spaulding, Director Florida Highway Patrol
Rick Creamer, Florida Highway Patrol Chief Administrative Officer
Steve Burch, Chief of Accounting
Lemuel Toro, Fixed Assets Manager

Melinda M. Miguel, Chief Inspector General
Sherrill F. Norman, Auditor General

Statement of Accordance

Section 20.055, Florida Statutes, requires the Florida Department of Highway Safety and Motor Vehicles’ Inspector General to review, evaluate, and report on policies, plans, procedures, accounting, financial, and other operations of the Department and to recommend improvements. This audit engagement was conducted in accordance with applicable International Standards for the Professional Practice of Internal Auditing published by the Institute of Internal Auditors and Principles and Standards for Offices of Inspector General published by the Association of Inspectors General.

Project Team

Engagement conducted by:
Erin Mook, Auditor

Under the supervision of:
David Ulewicz, Audit Director

Approved by:

[Signature]
Julie M. Lefflers, Inspector General
ATTACHMENT - Management Response

MEMORANDUM

DATE: April 5, 2016

TO: David Ulewicz, Audit Director

FROM: Steven Fielder, Division Director

SUBJECT: Division of Administrative Services Management Response to the IT Inventory Controls and Management Audit (201516-10)

The following is our response to the findings and recommendations presented in the report:

Finding 1- Property Recording Process

Strengthening the recording process could improve the completeness of property records.

Recommendation

We recommend the Bureau of Accounting review current processes and procedures to ensure all tangible personal property with a value or cost of $1,000 or more and mobile computing devices are recorded in the state financial system as property for inventory purposes as required by Rule 69I-72.002, F.A.C.

Management Response

The Bureau of Accounting will review procedure BA-9, Tangible Personal Property, to ensure that all current processes and procedures are accurately reflected by. Additionally, the Bureau of Accounting will include pertinent information to the Divisions on the proper payment process of tangible items to ensure property with a value or cost equal to, or greater than, $1,000 and mobile computing devices are recorded in the state financial system. Anticipated completion date of June 30, 2016.
Finding 2- Property Tracking and Management

Improved tracking and control over IT equipment is needed.

Recommendation

We recommend the Bureau of Accounting, who has primary responsibility to maintain records of Department property, work with the various Department divisions to improve the accuracy of the information technology equipment on the current Department property listing.

We recommend the Bureau of Accounting work with the various Department Divisions to identify process improvements for tracking and controlling Department property.

We also recommend the Bureau of Accounting develop annual training curriculum in consultation with the Learning and Development Office for Property Custodian Delegates and Inventory Appointees.

Management Response

The Bureau of Accounting will continue to work with the divisions to improve the accuracy of the Department’s information technology equipment. Potential process improvements to enhance tracking and controlling of property are being researched and tested. Additionally, the Bureau of Accounting, in consultation with the Learning and Development Office, has developed mandatory training for Property Custodian Delegates and Inventory Appointees. It is anticipated that the training course will be completed no later than June 30, 2016.

Finding 3- Property Record Details

The accuracy and completeness of required information contained in property records could be improved.

Recommendation

We recommend the Bureau of Accounting review property records to ensure each record contains all required information outlined in Rule 69I-72.003, F.A.C.

Management Response

The Bureau of Accounting will review all active property records in the FLAIR property subsystem and update as needed the required fields according to rule 69I-72.003, F.A.C. no later than June 30, 2016.
Finding 4 - IT Equipment Included in Property Records

Recording all IT equipment which may contain confidential or sensitive data would increase data security.

Recommendation

We recommend the Division of Administrative Services coordinate with the Division of Information Systems Administration to formally consider recording all IT resources as property to ensure equipment which could contain confidential or sensitive data is included in the yearly inventory process, and verification of existence and condition is confirmed.

Management Response

The Division of Administrative Services has begun working with the Division of Information Systems Administration to ensure that all IT equipment which could contain confidential or sensitive data is properly accounted for. The proposed solution being discussed would track IT equipment outside of the State’s inventory system administered by the Department of Financial Services in order to minimize the effect on the department’s state financial records. Following a decision on the methodology and systems to be used for the tracking of the equipment, it is anticipated that a statewide roll out of any new system will require several months to be completed. The tentative goal would be to have a new system purchased or otherwise acquired by December 31, 2018.